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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

February 20, 2013

The Honorable Joe Seiwert, Chairperson
House Committee on Utilities and Telecommunications
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Seiwert:

SUBJECT: Fiscal Note for HB 2201 by House Committee on Utilities and Telecommunications

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2201 is respectfully submitted to your committee.

HB 2201 would create an interim legislative committee to study telecommunications issues and ensure that the public policy of Kansas, as expressed in statute is maintained, with priority being given to advance statewide telecommunications infrastructure. The Interim Committee would be required to issue a final report and policy recommendations prior to January 31, 2016. The bill would also amend current law in the following ways:

1. Give the Kansas Corporation Commission (KCC) the full power, authority, and jurisdiction to supervise and control local exchange carriers, but limit the KCC's power to impose quarterly assessments on interexchange carriers (IXCs), competitive local exchange carriers (CLECs), and electing carriers. Currently, the quarterly assessment is imposed against all public utilities and common carriers subject to the jurisdiction of the Commission, and cannot exceed, during any fiscal year, the greater of $100 or 0.2 percent of the respective utility or common carrier's gross operating revenues derived from intrastate operations.

2. Exempt IXCs, CLECs and electing carriers from KCC billing standards, annual report requirements, and data requests.

3. Remove the tariffs on all CLECs, IXCs, and electing carriers, and exempt them from the KCC quality of service standards.

4. Clarify that electing carriers remain subject to federal resale, unbundling, interconnection negotiation and arbitration, and interLATA (local access and transport area) dialing parity obligations.

5. Require that reduced intrastate access revenues be recovered from the Kansas Universal Service Fund (KUSF) rather than interstate access revenue. Telecommunications carriers

would no longer be required to pass reductions in access charges through to their consumers, and would no longer be required to have statewide averaged rates.

6. Remove KCC from the oversight of telecommunications carriers to prevent fraud and other practices harmful to consumers. Telecommunications carriers would be exempt from the KCC quality of service requirements and would exempt telecommunications carriers and electing carriers from regulation by the KCC for the provision of telecommunications services, except that the KCC would retain authority to authorize certificates and cancel certificates; implement rules delegated to the state by the Federal Communications Commission (FCC) or federal law unless specifically prohibited by state law; regulate intrastate switched access rates, terms and conditions, including the implementation of federal law concerning intercarrier compensation; and carry out the KCC's obligations according to the Kansas Underground Utility Damage Prevention Act (KUUDPA). The KUUPDA obligations would include obligations to the Overhead Power Line Accident Prevention Act; the reasonable resale of retail telecommunications services; the administration of the Kansas Lifeline Program; and the administration of contributions to the KUSF.

7. Remove the requirement that every local exchange carrier providing residential, price deregulated local telecommunications services automatically enroll its existing and eligible customers in the Kansas Lifeline Service Program (KLSP). CLECs and electing carriers could choose not to participate in the program upon a 90-day written notice to the KCC.

8. Interexchange carriers and electing carriers would be exempt from the requirement to reduce their statewide average basic long distance rates to reflect the net reductions in access charges. The KUSF distribution rules would be changed as follows: beginning January 1, 2014, high-cost support would be capped for CenturyLink at 90 percent of the amount it received for the 12-month period ending February 28, 2013, for distributions beginning January 1, 2014. If a price cap carrier would request and receive price deregulation of an exchange, the carrier would not receive high-cost KUSF support, except for those census blocks where an unsubsidized wireline carrier is not providing voice services. This would not affect the KLSP. CenturyLink's per-line support would be based on the amount of per-line support it currently receives under the high-cost model, subject to the 90 percent cap.

9. Support would be reduced for any Community America Fund Phase II support received, although KLSP would not be affected.

10. The KCC would be required to discontinue use of the identical support rule, and cap all competitive eligible telecommunications carrier (CETC) support as of March 1, 2013. CETC support would be phased-out in four equal installments over four years beginning March 1, 2014. This provision would be similar to the FCC's new rule. This would not affect KLSP support.

11. The KCC would reduce electing carrier's high-cost KUSF support to zero, and be required to determine a new model to support basic voice service requests received after March 1, 2019. The KCC would continue, until at least March 1, 2017, to determine KUSF support for incumbent local exchange carriers by the same manner and using the same policies and procedures in effect on January 1, 2013. In addition, a 240-day time deadline would be imposed on any audit of a rural telephone company's KUSF support.

12. Electing carriers would be exempt from serving as carriers of last resort.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	--	($650,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

HB 2201 would exempt from quarterly assessment by the KCC, all CLECs, IXCs, and electing carriers. The fiscal effect of the bill would reduce revenue to the Public Service Regulation Fund of the KCC by $650,000. The bill would also reduce financial obligations of some telecommunications providers. Any fiscal effect associated with HB 2201 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Tom Day, KCC