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February 3, 2016

Honorable Senator Robert Olson
Chair, Utilities Committee
Room: 236-E, Seat: 35
300 SW 10th Ave.
Topeka KS 66612-1504

Dear Chairman Olson:

On behalf of CITA, the trade association for the wireless communications industry, I write to outline CTIA's concerns with SB 346. This legislation could result in state universal service support inordinately subsidizing the business operations of a select group of communications providers in the state.

It is important to note that Kansas wireless carriers build their networks, deploy their infrastructure, and provide affordable services - whether in rural or non-rural areas - without a single dollar of state universal service support. Any changes to the KUSF should not place additional burdens on the fund that would result in an increase to the KUSF to the detriment of consumers, particularly wireless consumers, who are already burdened with high taxes and fees. In fact, Kansas wireless customers already pay the 10th highest rate tax and fee rate in the country - almost 20% per month.[1] And, the KUSF assessment rate is set to increase on March 1, 2016 to 6.53%.

KUSF support should not be provided in a manner that allows for the recovery of local exchange carriers' intrastate embedded costs, revenue requirements, investments and expenses from other carrier's customers, as contemplated in the bill. Additionally, the bill provides the ability of local exchange carriers who operate under traditional rate of return regulation to offset any reduction of federal universal service support for recovery of the carrier's interstate costs. It should be made clear that the KUSF would not compensate rate of return carriers for intrastate switched access reductions that have been mandated by federal law.

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[1] Based on July 2015 data from November 16, 2015 Tax Foundation Report
http://taxfoundation.org/article/record-high-taxes-and-fees-wireless-consumers-2015

As Kansas looks to "promote local investment and the development and expansion of economic opportunities, through the statewide availability and ongoing enhancement of reliable and affordable broadband data and communications services," Kansas Universal Service funds should not be used to provide expanded compensation to a single group of competitors in the marketplace. Rather, the Legislature should reduce the current $30 million cap on the KUSF to reduce the tax burden on its citizens, and put an immediate end to KUSF subsidies to competitive eligible telecommunications carriers that the FCC deemed are no longer entitled to federal high cost support because they operate in areas with unsubsidized competitors.

The Legislature should also take steps to ensure that the methodology for determining KUSF contributions is fully consistent with the federal contribution methodology, correcting the current situation in which the Kansas Corporation Commission has issued an order that deviates from federal practices, resulting in over-assessment of Kansas rate-payers and greatly increased implementation costs for carriers. Therefore, we would appreciate the opportunity to submit an amendment to KSA 66-2008 that would require the KUSF's contribution methodology to be fully consistent with the contribution methodology used for the Federal USF.

Thank you for your consideration.

Sincerely,

Lisa V McCabe

Lisa V. McCabe
Director, State Legislative Affairs
CITA-The Wireless Association