

February 1, 2016

REVISED

The Honorable Rob Olson, Chairperson
Senate Committee on Utilities
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Revised Fiscal Note for SB 346 by Senate Committee on Utilities

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 346 is respectfully submitted to your committee.

Current law prohibits rate of return regulated carriers from recovering reductions in federal universal service support from the Kansas Universal Service Fund (KUSF). SB 346 would amend existing law to nullify that prohibition and allow these carriers to receive KUSF support to recover intrastate embedded costs, revenue requirements, investments, and expenses. The bill would nullify the statutory \$30.0 million cap on distributions from the fund and the Federal Universal Service Fund reduction offset currently in statute.

In addition, the bill redefines “broadband” to mean the transmission of digital signals at rates equal to or greater than 10 megabits per second download and one megabit per second upload, and makes promotion, development and enhancement of economic opportunities through statewide availability and ongoing enhancement of reliable and affordable broadband services a matter of public policy.

Revenues and disbursements associated with the KUSF are not a part of the Kansas Corporation Commission (KCC) budget. According to the agency, passage of SB 346 would result in sizeable increases in both revenues to and disbursements from the fund. Because there is no language included in SB 346 to limit the amount that an individual carrier could recover from the fund and no cap on the total distribution amount, the agency initially estimated that contributions to the fund from all carriers would need to be increased by nearly 23.0 percent, from a rate of 6.53 percent of all assessable intrastate retail revenues to 8.04 percent. This percentage increase was based on 2014 data. Since the issuance of the original fiscal effect statement, the agency has received 2015 data from the fund administrator which indicates that passage of SB 346 would cause an increase in contributions to the fund from all carriers of more than 38.0 percent, from the current rate of 6.53 percent of all assessable intrastate retail revenues

The Honorable Rob Olson, Chairperson

February 1, 2016

Page 2—SB 346

to 9.04 percent. While the agency estimated that disbursements would increase by \$11.1 million in FY 2017 and FY 2018, the 2015 data would change the estimated amount of the increase to 17.1 million in FY 2017 and FY 2018. It is expected that over time the increase would be much larger due to future reductions in federal support and the implication of the bill language that recovery of all of a carrier's intrastate costs would be allowed. Any fiscal effect associated with SB 346 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Amy Gilbert, KCC