

TESTIMONY IN SUPPORT OF SENATE BILL NO. 119

Chairman Olson and Members of the Senate Utilities Committee:

My name is Susan Cunningham and I appreciate the opportunity to testify today on behalf of TracFone Wireless, Inc. (“TracFone”), in support of Senate Bill No. 119 (“SB 119”).

The purpose of SB 119 is to update and modernize the Kansas Lifeline Service Program (“KLSP”), which the legislature established in 1997 to help make phone service affordable for low-income families in the state. This would be accomplished by clarifying existing law to say that state Lifeline support would be available to eligible low-income households whether or not they obtained Lifeline service through a facilities-based wireless carrier or a non-facilities-based wireless carrier, also known as a reseller.

This change is needed because most Lifeline customers today, unlike in 1997, prefer wireless Lifeline service, which is offered mainly by wireless resellers, including TracFone through its SafeLink® Wireless brand. Nationwide, about ninety percent of Lifeline customers have chosen wireless Lifeline over the traditional wireline service. Most of the major national facilities-based wireless carriers do not offer Lifeline in most areas.

Although SafeLink® and several other wireless resellers offer Lifeline in Kansas, their Lifeline customers are eligible for support only from the federal universal service fund and not the Kansas Universal Service Fund. This contrasts with the Lifeline plans offered by local telephone companies and a few facilities-based wireless providers that receive both state and federal support for their Lifeline customers.

By clarifying that wireless resellers and their Lifeline customers are eligible for state Lifeline support, SB 119 would have several positive effects:

- This would create a more competitive environment and more customer choice as wireless resellers compete to provide the best possible Lifeline service to low-income families in Kansas.
- Lifeline customers could still choose traditional local telephone providers for their Lifeline service if they prefer land line service. The choice belongs to the customer.
- The availability of state universal service support, in addition to federal Lifeline benefits, will mean that Kansas low-income households will receive better Lifeline plans, including additional voice and text minutes of use, smart phones, and if approved by the Kansas Corporation Commission (“KCC”), broadband access.

- SB 119 does not change the fact that the KCC administers the state universal service fund, determines the level of support for universal service programs, including Lifeline, and periodically sets the surcharge rate.
- SB 119 also makes the Kansas Lifeline program consistent with the federal Lifeline program. Although federal law has a “facilities-based” requirement similar to Kansas law, the Federal Communications Commission (“FCC”) has granted wireless resellers like TracFone and others “forbearance” from imposition of this rule, i.e., the FCC has waived the facilities-based requirement and allowed wireless resellers and their customers to participate in Lifeline.
- SB 119 recognizes that wireless carriers and their customers have to contribute to the state universal service fund, so as a matter of fairness, eligible wireless customers should be entitled to Lifeline benefits from the fund.

It should be noted that the vast majority of state and federal universal service funding goes to support local telephone carriers in building out and maintaining their networks in “high cost” rural areas. Under SB 119, wireless resellers will remain ineligible for such “high cost” subsidies, which will continue to go mainly to the rural local exchange telephone companies.

Thank for your kind attention and I am available for questions at the appropriate time.