

Testimony in Opposition of Senate Bill 119

Joint Testimony of CenturyLink and Sprint Before the Senate Utilities Committee February 16, 2016

Thank you Chairman Olson and members of the Committee. My name is John Idoux and I am CenturyLink's Director of Governmental Affairs for Kansas. Today I have the and opportunity to present testimony on Senate Bill 119 on behalf of CenturyLink as well as Sprint who is represented by Patrick Fucik. Collectively, the joint conferees urge the Committee to reject Senate Bill 119.

Senate Bill 119 Overview

The Kansas Lifeline Service Program (KLSP) is an initiative directed by statute and administered by the KCC to provide monthly support -- currently a \$7.77 monthly credit -- toward basic phone service for qualifying low income and disabled Kansans served by eligible telecom companies. There is also a similar federal Lifeline program which currently offers a \$9.25 monthly discount to eligible customers (slightly higher for tribal areas). When combined, the federal and state Lifeline programs offer qualifying low income and disabled Kansans with a \$17.02 service credit. It should also be noted that the federal Lifeline program is undergoing significant reforms as the FCC moves this initiative from a voice-supported program to broadband-supported program.

Senate Bill 119 proposes to eliminate a Kansas statutory requirement that all companies participating in the Kansas Lifeline program own some portion of facilities within the State of Kansas. This longstanding requirement to own facilities is competitively and technology neutral as it applies equally to incumbent and competitive wireline companies, wireless carriers, cable operators as well as VoIP providers participating in the Kansas Lifeline program.

Senate Bill 119 Impact

Senate Bill 119 proposes to allow non-facilities based wireless companies to be eligible for participation in the KLSP while maintaining the longstanding facilities based requirement for landline companies. These non-facilities based wireless companies have made no investments in Kansas facilities and, in certain situations, these companies do not contribute to the Kansas Universal Service Fund (KUSF) for its Lifeline participants. Without facilities investment in Kansas, non-facilities based wireless companies offer no additional benefits. Senate Bill 119 is inconsistent with the principles of competitive neutrality that have long been a hallmark of the KUSF.

Senate Bill 119 also would result in a significant increase to the overall size of the KUSF at a time when reforms put in place during the 2013 legislative session have drastically lowered the fund size. The increase to the KUSF would be due to an almost 3-fold increase in the expected number of supported customers for the Kansas Lifeline program by extending Kansas support to wireless non-facilities based providers.

In 2015, approximately 58,000 Kansans participated in the federal Lifeline program with 86% of the support going to wireless carriers. Non-facilities based wireless companies currently operate in Kansas and participate in the federal Lifeline program although these companies do not participate in the Kansas program which is expected to have 21,000 customers participating in 2017. It is reasonable to expect that if Senate Bill 119 is enacted there could be an additional 37,000 customers enrolled in the Kansas Lifeline program which would increase the overall size of the KUSF by \$3.5 million annually. For the 2017 KUSF year, the KCC has projected \$1.9 million in Kansas Lifeline support – an increase of nearly \$500,000 from 2016 – and a \$3.5 million increase would be a substantial increase.

Conclusion

Senate Bill 119 would disrupt the competitive neutrality of the Kansas Lifeline program in unintended ways resulting in an immediate and significant increase to the overall size of the KUSF. The Joint Conferees urge the Commission to reject Senate Bill 119.

Thank you for your consideration.

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