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Testimony of Patrick Fucik on HB 2201
Before the Kansas Utilities and Telecommunications Committee
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Thank you Chairman Seiwert and Members of the Committee. My name is Patrick Fucik and I am the Director of State Government Affairs for Sprint in our West Region. Thank you for the opportunity to present Sprint's comments on HB 2201.

Late in 2011, the Federal Communications Commission (FCC) began implementation of the National Broadband Plan with the release of a comprehensive Universal Service reform order which outlines steps to advance broadband and move away from outdated telephone subsidy systems.

The national framework for universal service adopted by the FCC, eliminates the broken High Cost Federal Universal Service Fund (FUSF) and replaces it with the Connect America Fund (CAF), which makes funding available to providers as a means to support broadband focusing on un-served and underserved areas in the country.

The elimination of the legacy FUSF, funded by assessments on all telecom consumers, coupled with the discipline imposed under the new national universal service CAF, will help to reduce the costs to consumers by controlling the FUSF assessment on their bills.

In the same spirit of reducing the cost of telecom assessments, and to ensure Kansas universal service policy does not conflict with federal universal service rules, Sprint began working to develop legislation that would reduce the size of the Kansas Universal Service Fund (KUSF). By reducing the size of the KUSF, Kansans would see the KUSF assessment on their bills reduced and their cost for telecom service lowered.

In addition, the KUSF assessment is applied to all types of service whether it is wireless, landline, cable or Voice over Internet Protocol (VoIP). While Sprint does not receive any payments from the KUSF, our customers have paid over $60 million over the last 10 years into the KUSF only to subsidize other providers in Kansas. This antiquated system of subsidies, which the FCC is eliminating on the federal level, should be eliminated in Kansas.

Kansas currently ranks 10th of all states with the highest average state and local cell phone taxes nationwide. [1] By reducing the size of the KUSF and the KUSF assessment on consumer's bills, Sprint seeks to reduce the high tax rate on telecommunications customers in Kansas. By Sprint's estimates, an average family would save almost $28 a year on their phone bill if HB 2201 were enacted. Sprint's original proposal would have resulted in an average savings of $45 a year.

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[1] Scott Mackey, KSE Partners, LLP, based on methodology from the Council on State Taxation, *50-State Study and Report on Telecommunications Taxation*, May 2005. Updated July 2012 using state statutes and regulations.

Sprint applauds the efforts of all providers involved in the development of HB 2201. As introduced, HB 2201 reduces the KUSF by $17.5 million over four years with $9 million of that occurring in the first year. While Sprint had sought a larger reduction, we are pleased with the direction HB 2201 takes the KUSF.

However, because we still have some concerns, Sprint is currently neutral on the bill. If some changes are made to the bill Sprint could change our position to support. Specifically, those changes are:

1. Add language to the charge of the study committee so that committee considers “promoting competition and reducing consumer costs” as additional priorities along with “advancing statewide telecommunications infrastructure.” As a result, the direction to the committee would not just be focused on the industry side but would address issues to directly benefit consumers as well.

2. While the bill would initially reduce the size of the KUSF, there is not enough language in the bill to ensure the KUSF does not later increase the burden on Kansas businesses and consumers. Sprint had sought language to cap the KUSF in order to keep it from growing. Next month, the KUSF assessment will grow from the current 6.12% to 6.42% of a consumer’s intrastate voice service on their bill. We think the assessment is going in the wrong direction. There continues to be petitions to the Kansas Corporation Commission (KCC) by rural local exchange carriers (RLECs) seeking additional KUSF support. While there was not agreement within the industry to include a cap, language is included in the bill (page 26, lines 9-16) that Sprint believes will tie the KCC’s hands with regard to their ability to further reduce KUSF distribution to RLECs. Sprint suggests this language be eliminated from the bill.

3. Moreover, HB 2201 favors certain incumbent providers over competitors. Specifically, distributions to Competitive Eligible Telecommunications Carriers (CETCs) are phased out entirely over four years consistent with federal universal service policy, while the KUSF would continue to heavily subsidize incumbent price cap carriers. The reductions to incumbent price cap carrier distributions should be more commensurate with the reductions to the distributions to their competitors. Sprint supports reducing price capped carrier’s KUSF distributions entirely over four years as well.

4. Lastly, the interconnection language in the bill should make clear that the KCC has jurisdiction to address interconnection disputes between carriers regardless of the technology used to make the interconnection. The KCC has jurisdiction to address interconnection of carrier networks regardless of the technology used by providers at the ends of calls. Bill language should make explicit that the commission also retains jurisdiction to ensure efficient traffic hand-offs “in the middle” of calls, where carriers interconnect to exchange traffic, regardless of the technology used to make that interconnection.

Thank you Chairman Seiwert and members for your time and I would be happy to address any questions at the appropriate time.