

February 3, 2014

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 304 by Senate Committee on Commerce

In accordance with KSA 75-3715a, the following fiscal note concerning SB 304 is respectfully submitted to your committee.

SB 304 would create the Municipal Communications Network and Private Telecommunications Investment Safeguards Act. The bill would codify the existing policy of the state concerning the provision of video, telecommunications and broadband services. The bill would prohibit municipalities from providing those services except in the case of unserved areas. However, municipalities would not be prohibited from purchasing, leasing, constructing or equipping facilities designed to provide the services if they would be used exclusively for communication between and among government and other public buildings, including public schools, public safety and public library facilities. A municipality would not be allowed to use its power of eminent domain to acquire equipment from an existing provider, but could use that power to acquire real property in order to obtain an easement for the purpose of providing services to unserved areas.

With regard to municipalities that would offer or provide video, telecommunications or broadband service to one or more subscribers, the immunity from antitrust liability afforded to political subdivisions by state law would not apply. Nonetheless, a municipality that is offering these services on the effective date of the act would not be affected by the provisions of the act.

The League of Kansas Municipalities indicates that passage of SB 304 would have a significant fiscal effect on the cities in Kansas. The League states that many Kansas cities do not presently have adequate broadband service to meet their own needs or the needs of local businesses and industry. A city may choose to proceed on its own to establish the needed infrastructure and provide the service to the community where existing private businesses do not provide it. The League contends that passage of SB 304 could cause the loss of economic development opportunities, which would include additional jobs and increased assessed

The Honorable Julia Lynn, Chairperson

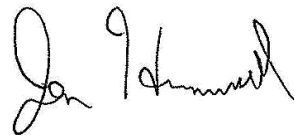
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valuation of property. In addition, the League notes that an unintended consequence of the act would be that cities would be precluded from leasing space on water towers and other similar aerial structures for use by telecommunications and cable industry. These lease fees can generate thousands of dollars per year for the cities which would be lost under the provisions of the act.

The Kansas Association of Counties is unable to estimate what the long-term fiscal effect of passage of SB 304 would be. However, the Association expresses concern that because the bill would revoke local authority to build networks, as well as prohibit municipalities from entering into public-private partnerships, rural locations could be unable to attract modern businesses if the private sector failed to develop an adequate network infrastructure.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Jon Hummell,
Interim Director of the Budget

cc: Larry Baer, League of Municipalities
Willie Prescott, Attorney General's Office
Melissa Wangemann, Association of Counties