

# Overview of the Kansas Universal Service Fund

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Before the Senate Government Efficiency Committee

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# Universal Service

Both the Kansas Telecommunications Act of 1996 and the Federal Telecommunications Act of 1996 contain provisions to develop universal service funds to maintain and enhance universal service.

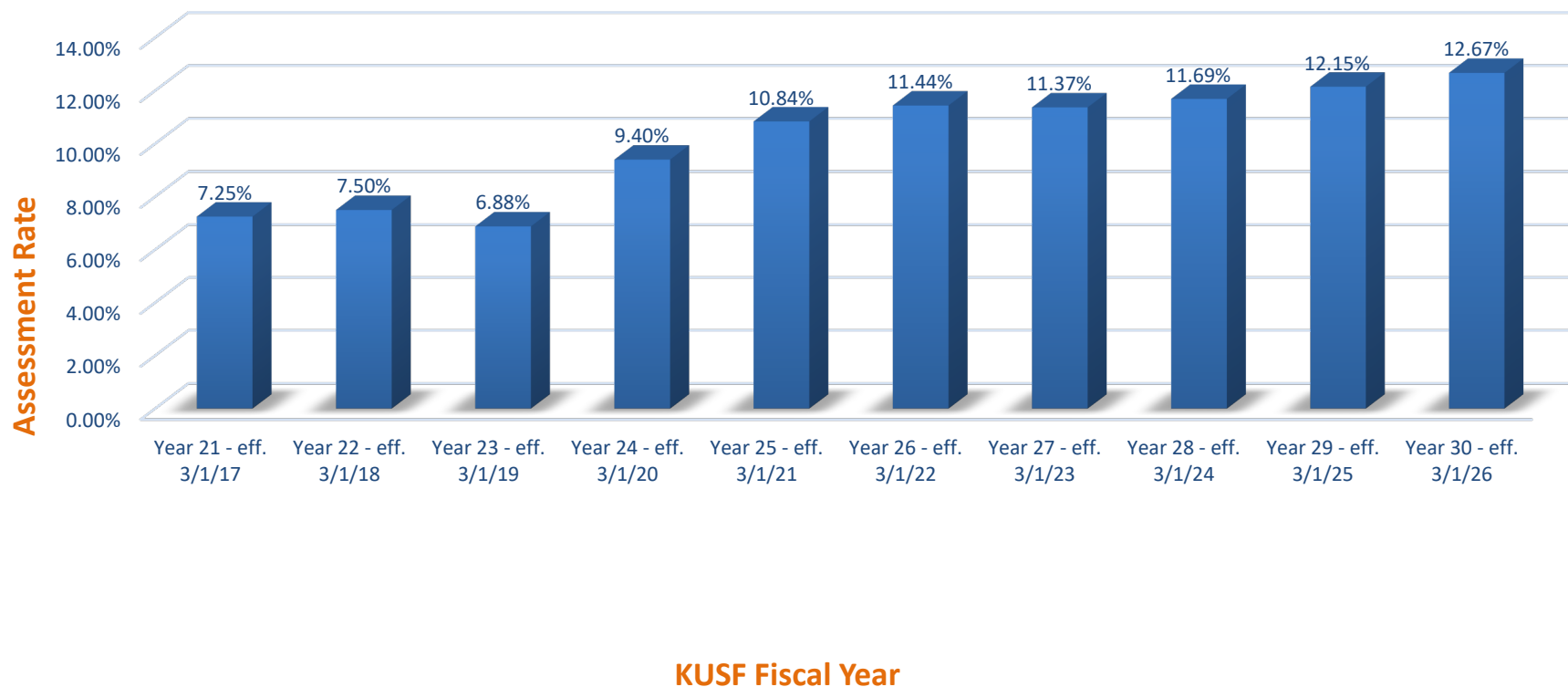
- Federal Universal Service Fund (FUSF) - 47 U.S.C. § 254
- Kansas Universal Service Fund (KUSF) – K.S.A. 66-2008

# Kansas Universal Service Fund

- KUSF was created by the KCC and implemented March 1, 1997, as required by K.S.A. 66-2008.
- Purpose of the KUSF is to assure quality services are made available to all Kansans at affordable rates.
- Pursuant to K.S.A. 66-2008(a), every telecommunications carrier, telecommunications public utility, wireless telecommunications service provider and interconnected Voice over Internet Protocol (VoIP) provider that provides intrastate telecommunications services must contribute to the KUSF. The assessment may be passed through to customers, but carriers are not required to do so.
- Current KUSF assessment rate is 12.15% on intrastate revenues. The rate will increase to 12.67% on March 1, 2026.
- KUSF assessment rate 30-year average is 7.21% and current to last 10-year average is 10.12%.

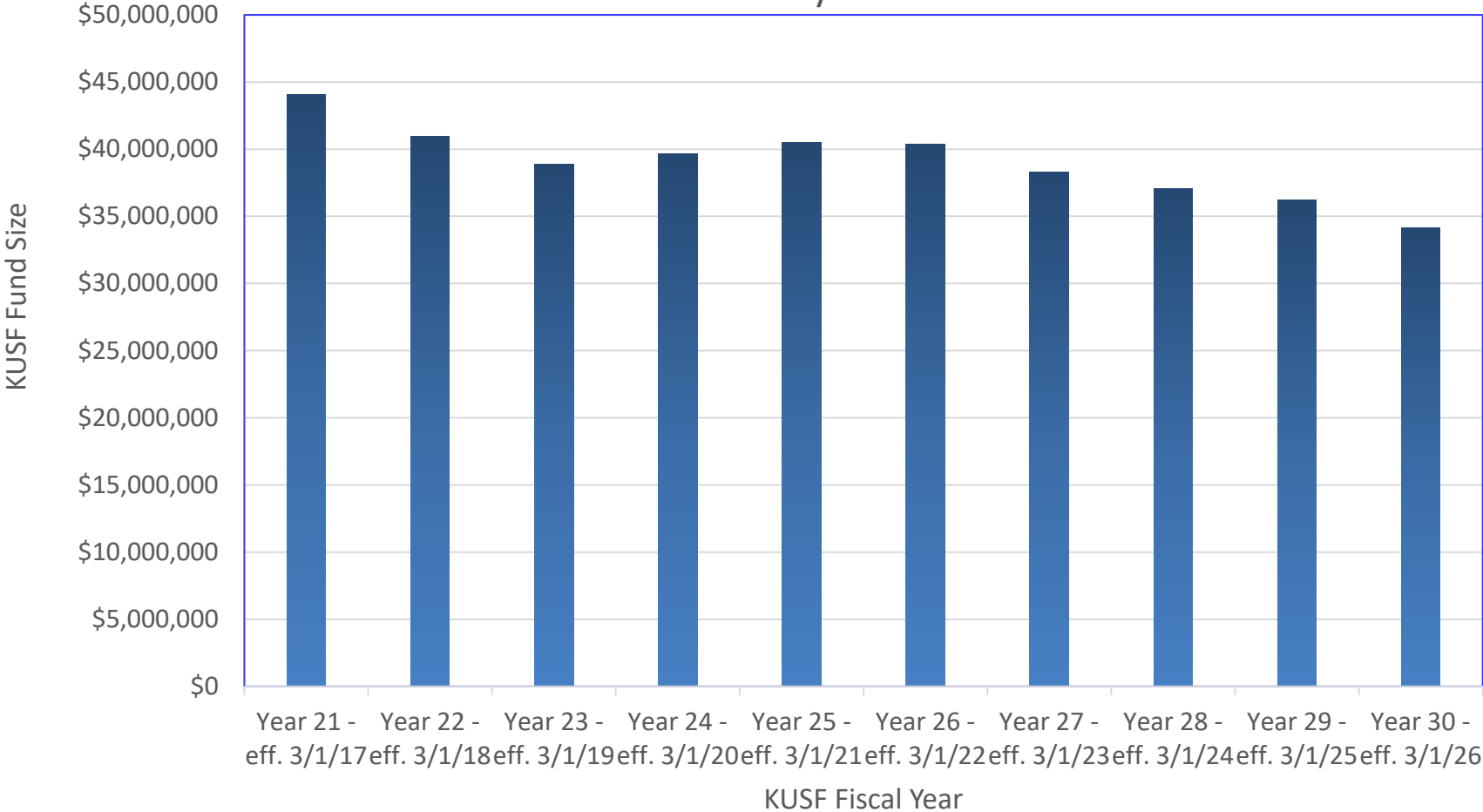
# KUSF Assessment Rate

## 10 Year History of KUSF Assessment Rate



# KUSF Fund Size

10 Year History of Fund Size

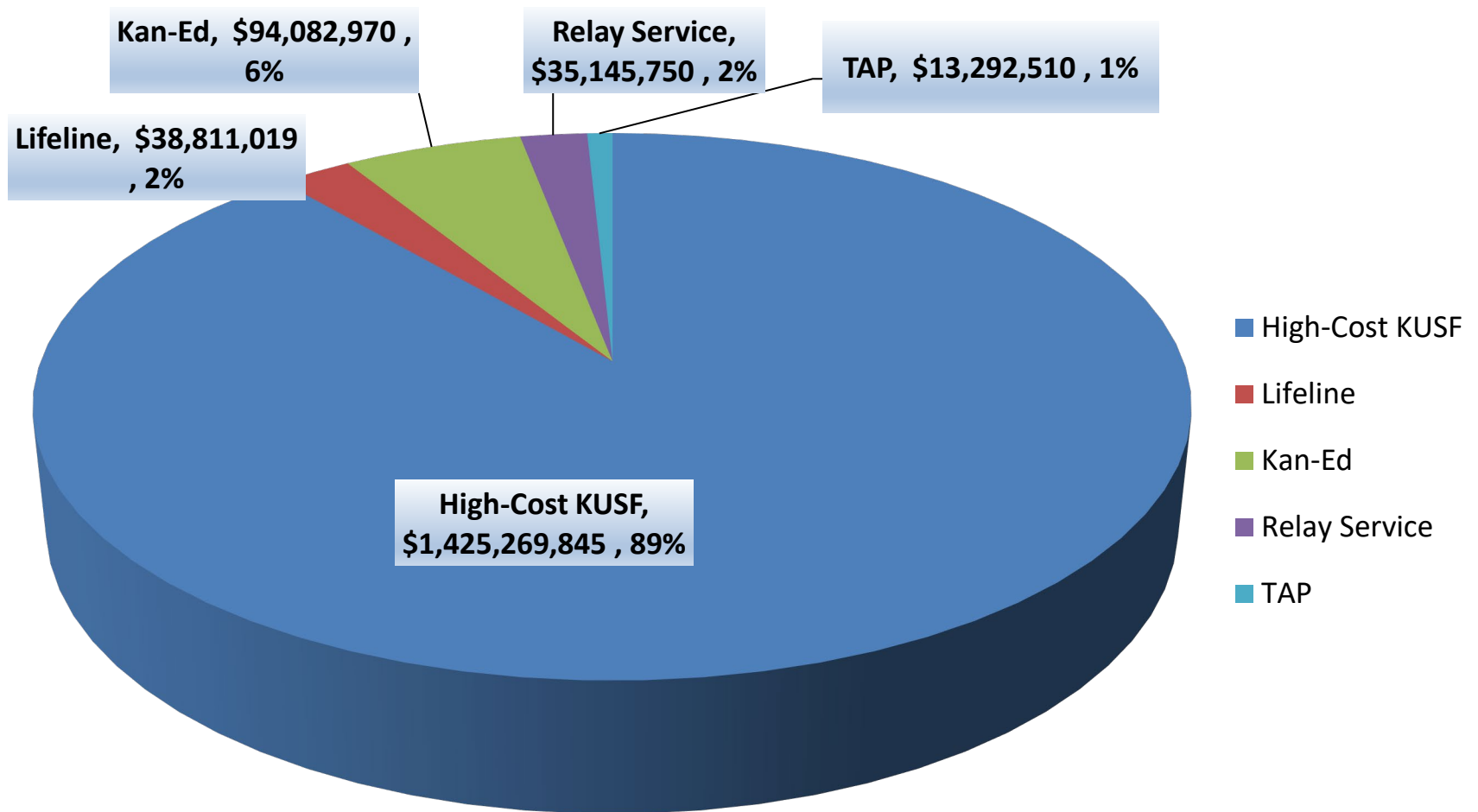


# Kansas Universal Service Fund

The KUSF has funded four programs, which are:

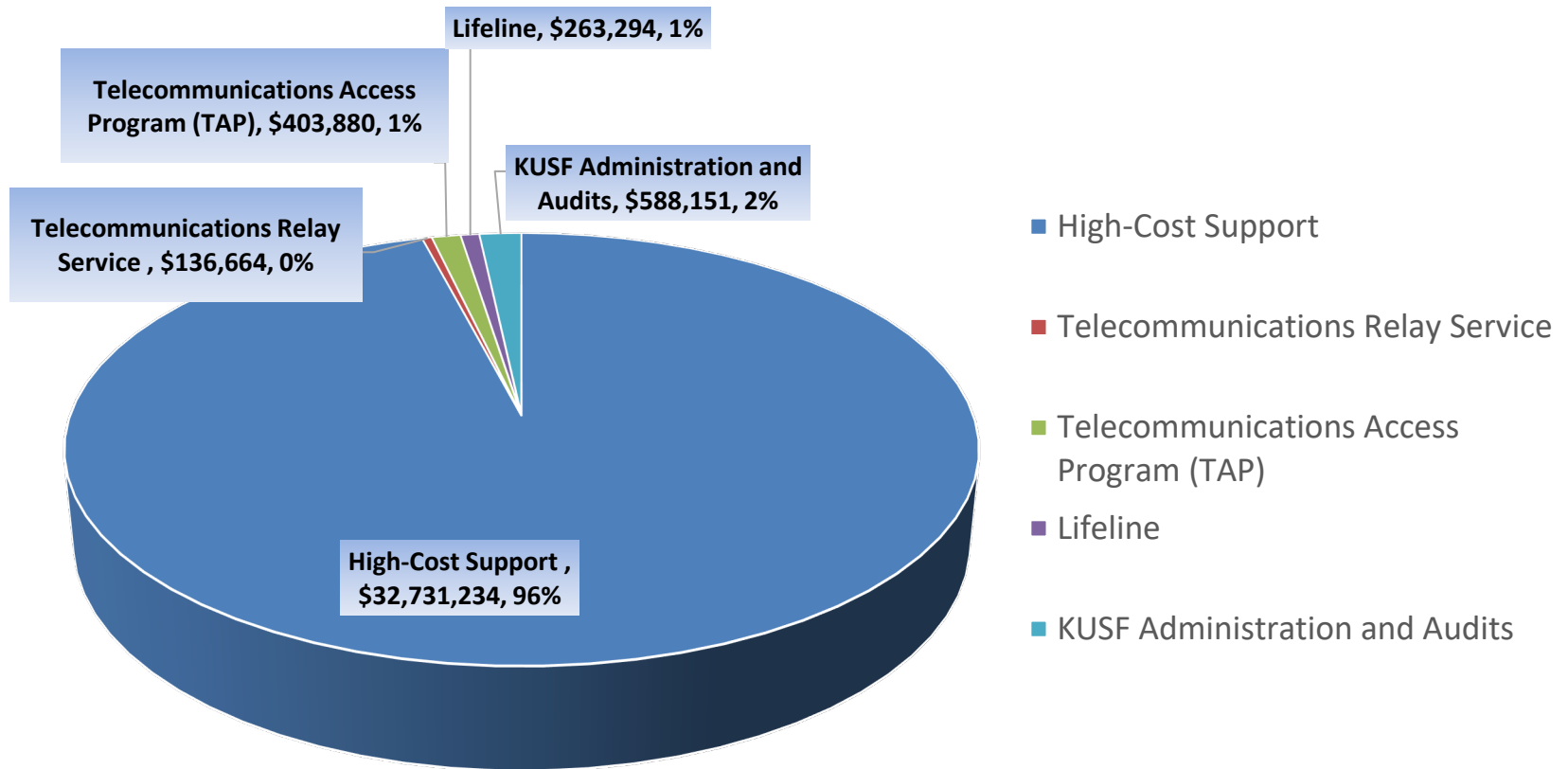
- High-Cost
- Lifeline (low income)
- Telecommunications Relay Service
- Telecommunications Access Program (TAP)

# Total KUSF Support by Program (March 1, 1997 – February 28, 2025)



# Expected KUSF Expenditures for KUSF Fiscal Year 30

March 1, 2026-February 28, 2027





# Kansas Universal Service Fund

## High-Cost Support

- Initial KUSF high-cost support amount available for incumbent local exchange carriers was equal to the revenue lost when access charge reductions were implemented pursuant to state statute.
- While the initial amount of KUSF support was set to replace lost access revenues, which was revenue neutral and not necessarily cost based, K.S.A. 66-2008(c), beginning January 1, 2014, annual distributions from the KUSF for a local exchange carrier subject to price cap regulation pursuant to K.S.A. 66-2005 and a cap of \$11.4 million was set for Brightspeed.

# Kansas Universal Service Fund

## High-Cost Support – Price Cap Carriers

- Implementing a cost-based KUSF – Price Cap Carriers
  - FCC determined that support for price cap carriers, such as AT&T & Brightspeed, should be based on the cost to provide service if the network were being built given current technology rather than based on historical costs. The FCC developed a model to determine the forward looking costs of providing service and support.
  - The KCC followed suit with the KUSF high-cost model for AT&T & Brightspeed.
  - Pursuant to HB 2201 (K.S.A. 66-2008(c)(5)), AT&T ceased receiving KUSF support January 1, 2014.

# Kansas Universal Service Fund

## High-Cost Support – ROR Carriers

- Cost-based KUSF – Rate of Return Carriers
  - Rate of Return (ROR) carriers' support based on embedded costs (K.S.A. 66-2008(e)).

# Kansas Universal Service Fund

## Audit Overview

### ➤ Timeline of audits

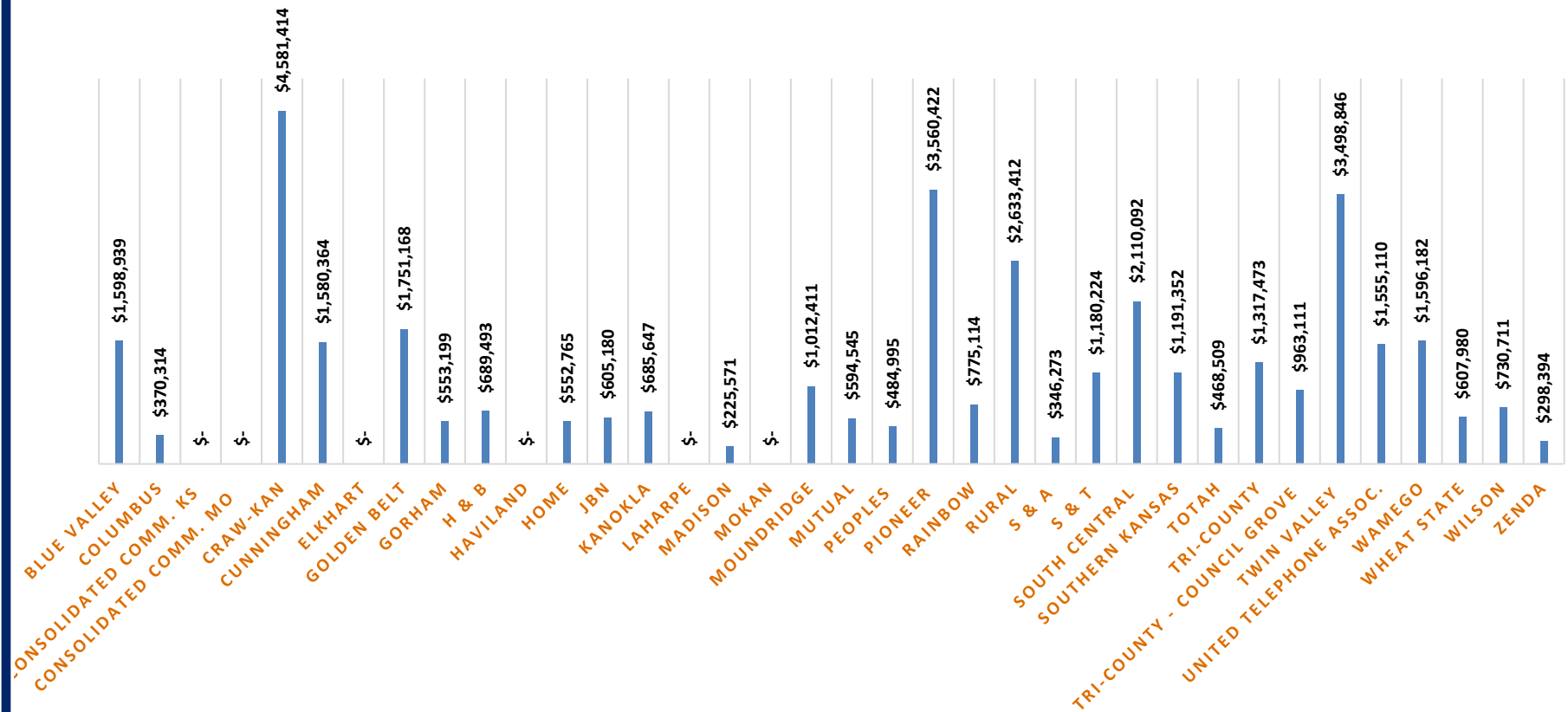
- 240 day timeframe under which Commission makes its determination
- Based on a filed Procedural Schedule

### ➤ Staff and consultants sponsor testimony over various topics

- Separations (Interstate vs. Intrastate)
- Regulated and non-regulated allocations
- Affiliate transactions
- Rate base and income statement adjustments
- Capital Structure, cost of long-term debt, and return on equity

# Kansas Universal Service Fund

Forecasted ROR Disbursements for KUSF Fiscal Year 30 (3/26-2/27)



# Thank you. Questions?

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