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Testimony on HB 2515 – Tax Incentives to Release Service Territory

February 5, 2018

Energy, Utilities and Telecommunications Committee

Mr. Chairman, Committee Members: H.B. 2515 is a means of addressing the different business models, funding resources, and operational interests of telecommunications providers in an effort to bring high-speed Internet (broadband) service to all Kansans. There exist fundamental economic and operational differences between investor-owned telecommunications companies, independent telecom providers, large cable companies, small cable providers, wireless providers, and satellite services. These differences are based on philosophy, revenue sources, local vs. national or regional markets, and more.

In HB 2563, I indicated that 97% of Americans/Kansans have access to broadband. I also testified that not all broadband is equal. The vast majority of Kansans without broadband or with broadband that does not meet the standards proposed (25/3 with latency and capacity factors).

HB 2515 is not an indictment of those companies, their business philosophies, economic and operational standards, or anything else. The bill does not mandate any action, everything is voluntary.

The bill seeks to use an existing service territory release mechanism with new tax incentives for companies to release customers without adequate broadband services to companies that have different operating philosophies, and operating and economic models.

If HB 2563 with the Broadband Deployment and Maintenance Fund is passed, all broadband providers are authorized to request assistance to deploy broadband. Even that opportunity may not be sufficient for some telecommunications companies to invest in broadband that can provide the proverbial triple-play --- voice, data, video. Hence, HB 2515 to provide financial incentives for companies to sell exchanges without broadband to providers able to provide broadband under different business plans or technologies.

The tax credit is over 5 years for 100 percent of the value of the customers and infrastructure released. This is a very attractive tax incentive, with the intent to encourage broadband deployment so that all Kansans can have the economic and other values of broadband.

Again, this bill does not mandate any telecommunication provider to sell anything, it simply provides an incentive for companies whose economic or operational requirements preclude providing broadband at the indicated performance levels.

Mr. Chairman, Committee Members, thank you for your attention and I will respond to questions at the appropriate time.