



Communications Coalition  
of Kansas

Kansas Senate Committee on Utilities  
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Good morning, Chairman Fagg and members of the committee. My name is Catherine Moyer. I am the CEO of Pioneer Communications, headquartered in Ulysses, Kansas. I am here today on behalf of the members of the Communications Coalition of Kansas that represents 29 rural local exchange carriers (RLECs) that provide service in the state of Kansas.

The members of the Communications Coalition of Kansas are community-based providers who live and work in the communities we serve. We are committed to serving rural Kansas and providing the scalable networks that are needed for the provision of broadband today and well into the future. We utilize internally generated funds, borrowed funds, universal service funds and grant funds to complete fiber builds throughout some of the most sparsely populated parts of Kansas. In 2024 alone, CCK members expect to spend more than \$200 million to build network in Kansas. These funds will be augmented with grant dollars that CCK members have already received and will actively be pursuing in 2024 and the next several years.

The improvement in extending service to unserved and underserved parts of Kansas hinges largely on grant programs. The Kansas Department of Commerce, through the Kansas Office of Broadband Deployment (KOBD) has administered three rounds of the Broadband Acceleration Grant Program which is funded through the Eisenhower Legacy Transportation Program. A total of \$85 million will be distributed over ten years at a 50/50 grant/match formula.

In 2022 – 2023, KOBD deployed \$83.5 million of Capital Projects Fund that the state received from the US Treasury. The SPARK Committee committed \$49.2 million that was distributed by KOBD through the Connectivity Emergency Response Grant. And the SPARK Committee last year recommended an additional \$35 million of remaining American Rescue Plan Act (ARPA) funds be committed via competitive grants to broadband connectivity last mile, middle mile and digital equity.

The Federal Infrastructure and Jobs Act will provide \$451 million through the National Telecommunications and Information Administration's (NTIA) Broadband Equity, Access and Deployment (BEAD) Program to Kansas for broadband deployment and adoption projects. Determining eligibility of areas, selecting projects to build out areas, and distributing funds to begin those projects is the primary broadband focus of 2024.

The industry has worked closely with KOBD on past grant programs and are doing the same for BEAD. On the national level, the industry has worked closely with NTIA to offer feedback on the BEAD Program.

I want to take a few minutes to highlight some of the considerations around applying for grants from those programs. Truly rural parts of Kansas do not have viable business plans to build and maintain networks at an affordable cost to the customer without an infusion of grant dollars to build the network, or often, an infusion of support dollars to maintain the network. As carriers examine grant opportunities, they need to be certain that a one-time grant is sufficient to build an area, while also examining whether customer revenues from the network will be enough to maintain and upgrade the network in the future. If there is not enough revenue from the network to maintain and upgrade the network, the initial investment, including the grant dollars, will be stranded.

Additionally, carriers must be ready to invest for the long term. Often, in very rural parts of Kansas, the return on the initial investment may take upwards of 20 years or longer to recover. Just recently, Pioneer Communications built 32 rural locations at a cost of \$750,000. That's \$23,500 per location. Meaning that with revenue of \$100 per month at a location, the initial investment will take 20 years to recover—just the initial investment, not any other part of the provision of service. Established Kansas companies, who have long been serving Kansas customers, are the companies that are invested in being in Kansas for the long term.

Carriers must also invest in networks that are scalable to accommodate the increasing demands on the broadband network. Customer adoption of higher speed packages has increased steadily over the past few years. And customers have started utilizing their connections at a higher rate. A combination of more connected devices and more services moving to broadband has caused impressive growth in data traffic, both download and upload traffic.

In the past, the conversation was focused on download speeds. It has moved to talking about symmetrical speeds. A symmetrical internet connection offers the same download and upload speeds. During the pandemic, when people started to work, attend school and do doctor's visits from home, we learned that upload speed is often just as important as download speed. Yes, you need download speed to watch a video, but have you ever tried to participate in a video call with poor upload speed?

These three things, higher speed subscription rates, large growth in download bandwidth, and very large growth in upload bandwidth illustrate why networks must be scalable to keep up with customer demand. If networks are not scalable they become antiquated very quickly, often within a few years, and once again, rural Kansas is behind in broadband availability.

In late 2023, CCK partnered with the Center for Economic Development and Business Research (CEDBR) at Wichita State University to study the role and impact of rural broadband providers in the economic landscape of Kansas. The infographics and executive summary from the report are included as an addendum to this testimony.

As the report highlights, CCK companies serve the low population density areas of Kansas, but positively impact the entire state financially. CCK companies provide a broadband service that offers employment, education and entertainment opportunities. Additionally, CCK companies offer high-wage employment opportunities that boost local economies, foster skill development and encourage young talent retention.

Kansas rural local exchange carriers (RLECs), most of whom are CCK members, provide service in all counties in the state except Wyandotte County. Collectively, they serve more than 50% of the geographic area of Kansas and about 15% of the households of Kansas.

To illustrate the sparseness, I am going to give you a few facts about Pioneer Communications' service territory, which is very similar to the other Kansas RLECs/CCK companies. Initially, I am going to talk about Pioneer's certificated service area where we have regulatory requirements to serve. Later, I will talk about other areas where Pioneer serves.

In our certificated area, Pioneer serves about 5,000 square miles. Using our number of customers and our service territory, we have just over 2 customers per square mile. However, when taking into account that 81% of our customers live in our population centers, our rural subscribers per square mile drops to just under 0.5. Another way to look at our service territory is to look at the 81% of our customers that live in population centers—they reside in approximately 15 square miles. The remaining 19% of our customers reside in the other 4,985 square miles. In actual network route miles, the 81% of customers in population centers utilize 375 route miles (14% of our route miles), the other 19% of customers utilize 2,325 route miles (86% of our route miles). A very small number of our customers utilize a substantial portion of our network.

The cost to serve these areas is much higher than the cost to serve urban areas. If more customers are connected to the network, there are more people to which to spread the cost of building and maintaining the network. In some rural areas there will be several miles of network that connect only a customer or two, making the deployment and maintenance of the network an expensive proposition.

In addition to providing service to a sparsely populated part of the State, Kansas RLECs are also Carriers of Last Resort (COLRs). COLRs are required by law to provide voice service to any customer in that RLECs service territory that requests service, regardless of whether it is economically viable to provide voice service at the prevailing service rate. In other words, COLR ensures voice access where a business model by itself does not exist.

In exchange for accepting the regulatory requirements of being a COLR, as well as other regulatory requirements, Kansas RLECs receive Federal Universal Service Fund (USF) support. Additionally, most Kansas RLECs also receive Kansas Universal Service Fund (KUSF) support. In 1996 the Kansas Legislature passed the Kansas Telecommunications Act. Among other things, the legislation required reductions in intrastate access rates that the local telephone companies charged to interexchange carriers for long distance calls within the state. Accompanying this change, the Kansas Legislature created the KUSF. The purpose of the KUSF was to make whole the local telephone companies that serve the rural and high-cost areas of Kansas for the loss in intrastate access rate revenue. This was revenue neutral to the companies.

The Kansas RLECs continue to use KUSF support like they used intrastate access rate revenue—to deploy and maintain the network used to serve customers in the rural, sparsely populated parts of Kansas.

In order to access KUSF and USF, an RLEC must first spend money and invest in its network and then prove the investment to regulatory entities before receiving partial recovery from the KUSF and USF funds. The RLEC does not simply receive an amount of money each year to spend. An RLEC will examine its service area and customers, study new technology and its

demand, and make a business decision about where to invest in its network, and in what technologies to invest. Only after those investments are made and costs actually incurred is an RLEC eligible for allowable cost recovery from the KUSF and USF. RLECs make the investment in a robust wired network in areas of Kansas where other carriers were unwilling to serve, and only after that investment is made is a company eligible for support dollars.

This model has been a success story for the parts of rural Kansas the RLECs serve. It is not only a success story for the customers living in rural Kansas, but also for the carriers and companies that want to reach those customers. Additionally, the RLEC networks are also heavily utilized by wireless carriers in rural Kansas, providing fiber connectivity to cell towers.

While I have focused on the part of Pioneer's service area subject to regulatory requirements in exchange for access to USF and KUSF, there are other parts of Pioneer's service area that are outside of these requirements. Pioneer, along with many other RLECs, have found parts of rural Kansas to serve where a business case can be made to serve, without access to funding sources. These areas are normally small towns and communities, and not the vast swaths of rural territory outside of the towns and communities. Again, the business case is best made with many customers over which to spread the cost of building and maintaining a network, which means there are still unserved and underserved parts of rural Kansas.

I appreciate the opportunity to appear before you today. I have covered several subjects related to the RLECs and the provision of broadband and voice service in Kansas, but there are plenty more subjects we can discuss. I am happy to stand for questions.