

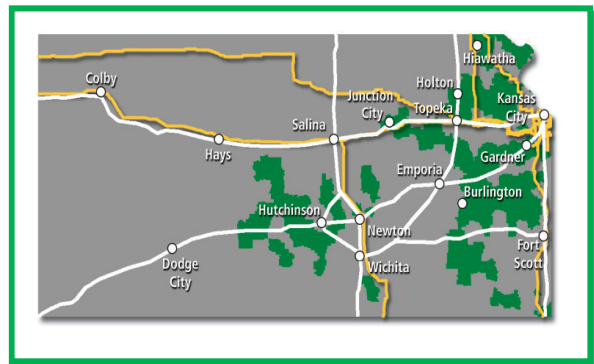
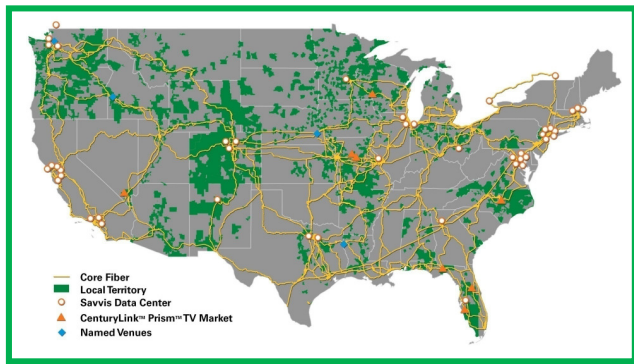
## Testimony in Support of House Bill 2255

### Testimony by CenturyLink John Idoux, Kansas Governmental Affairs Before the Senate Committee on Assessment and Taxation March 19, 2013

Thank you Chairman Donovan and members of the Committee. My name is John Idoux with CenturyLink's Governmental Affairs team and I appreciate this opportunity to express CenturyLink's support to House Bill 2255.

#### ***CenturyLink Introduction***

CenturyLink has provided communications services in Kansas for over 110 years under various names including United Telephone, Sprint's local division and Embarq. Today, CenturyLink is the third largest telecommunications company in the United States providing broadband, voice, wireless and managed services to consumers and businesses across the country. CenturyLink serves over 72,000 rural Kansans in 119 communities including Junction City, Fort Riley, Gardner, and 111 communities with less than 1000 residents. CenturyLink has deployed high speed Internet facilities to all 119 Kansas communities and nearly 92% of customers have access to broadband. In addition, the company provides data, voice and managed services to enterprise, government and wholesale customers in local, national and select international markets through its high-quality advanced fiber optic network and multiple data centers. CenturyLink is recognized as a leader in the network services market by key technology industry analyst firms, and is a global leader in cloud infrastructure and hosted IT solutions for enterprises through Savvis, a CenturyLink company.



CenturyLink maintains a significant workforce in Kansas with nearly 1700 employees. Over the past two years, CenturyLink subsidiaries have provided \$613,500,000 in taxable wages and \$28,400,000 in withholding taxes for the state of Kansas.

**House Bill 2255 Background**

House Bill 2255 establishes a process where companies operating in Kansas have the ability to seek a state refund for sales taxes paid on certain telecommunications machinery and equipment. House Bill 2255 provides participating companies with additional resources which can then be used to make additional infrastructure investments in Kansas. For CenturyLink, the additional infrastructure investments allow the company to better serve its rural Kansas consumers.

**CenturyLink Committed To Broadband in Kansas**

CenturyLink continues to invest in Kansas and is committed to serving rural Kansas with landline phone service. The availability of high speed Internet is a priority not only for CenturyLink but for its rural customers. The cost to provide such broadband services in rural areas of Kansas, however, is extremely challenging. Over 90% of CenturyLink’s Kansas territory has less than 10 households per square mile. To reach rural Kansans with broadband, CenturyLink invested over the past two years more than \$2000 per new accessible customer. With broadband service starting at \$15/month, or \$180/year, plus the additional network and operational monthly costs to maintain a robust broadband network, the payback period for this investment is measured in decades. The following chart highlights CenturyLink’s broadband deployment costs and rural demographics:

<b>Broadband Deployment Costs</b>	
To take availability from	Incremental Investment
90% to 95% 3,911 lines	<b>\$5,000 per line</b> \$19.6 million
95% to 98% 2,346 Lines	<b>\$7,000 per line</b> \$17.1 million
98% to 100% 1,564 lines (some wireless)	<b>\$16,000 per line</b> \$25 million
Disclaimer: Investment costs are <i>high level, best available estimates</i> using factors from the National Broadband Plan and will change. (2011)	

<b>Kansas Rural Demographics</b>	
Less than 100 access lines	Quincy -- Piqua Neosho Falls Langdon – Lehigh
101 – 1000 access lines	106 exchanges
2000 – 3000 access lines	Baxter Springs Burlington Garnett -- Holton Baldwin City
3000+ access lines	Spring Hill Gardner Junction City

Augmenting capacity also requires substantial investment. In 2012, CenturyLink invested over \$2 million to increase capacity 5-fold to accommodate increased usage from applications such as Netflix. As CenturyLink continues to expand its broadband network in Kansas, the investment per incremental customer grows exponentially due to the rural nature of Kansas.

### ***Benefitting Kansans***

House Bill 2255 provides CenturyLink and all qualified telecommunications carriers the ability to invest more in Kansas. Typically, state-level budgets are established on an annual basis. Savings provided from a state sales tax refund will then be available for other projects in the state. Also, as projects undergo the standard due-diligence financial review, the total cost of the project is typically captured, including applicable permits, fees and taxes. Certain projects that may be border-line from a financial business case perspective may receive the green light with the lower total cost resulting from the savings provided by House Bill 2255. For CenturyLink, this means providing additional Kansas consumers with the benefits of high speed Internet.

### ***Conclusion***

CenturyLink urges you to support House Bill 2255. It is likely that CenturyLink would qualify for the sales tax rebate provided for in House Bill 2255 which allows CenturyLink to better its rural Kansas customers.

Thank you for your consideration.