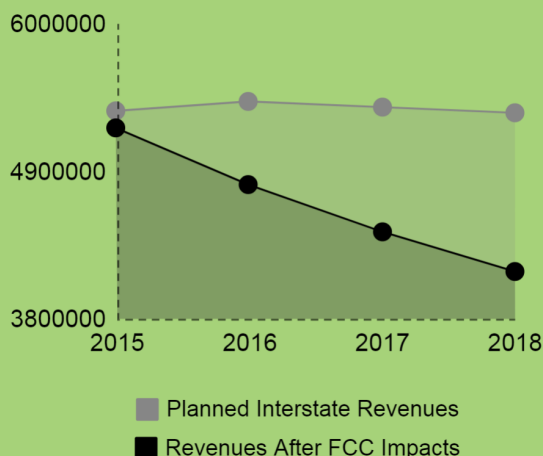




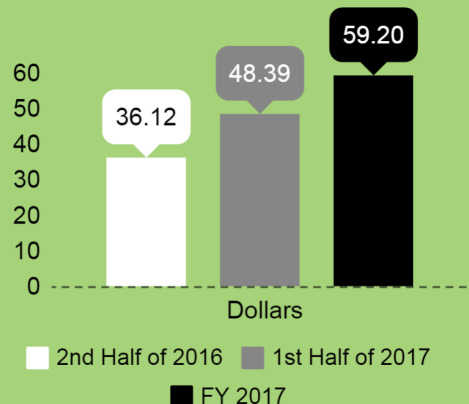
THE BUDGET CONTROL MECHANISM

Impacts on Rural Kansas

Average Impacts

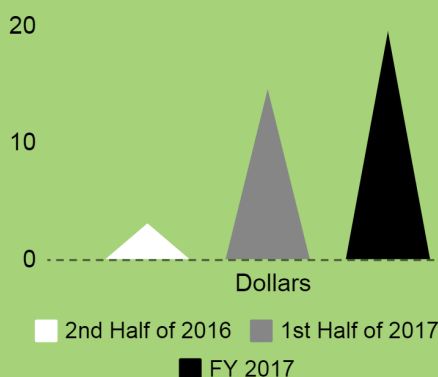


Average Monthly Impacts per Customer



Recent changes to the Universal Service Fund High Cost Program for ILECs remaining on rate of return, have caused millions of dollars in reductions annually for 11 Kansas providers. In total, these 11 providers will see a \$15M reduction in 2017 of recovery on investments they have already made. To remain revenue neutral, these companies would have to charge an additional \$48.39 per customer per month, on average, for existing services this year.

Average Monthly Impact of the BCM per Customer



The Budget Control Mechanism (BCM) makes up a significant portion of the overall reduction in support for these 11 providers - and there is nothing they can do to avoid it. The BCM has grown significantly since it began late last year. This trend is very concerning as it makes USF support unpredictable and insufficient for the goals established in the RoR Reform Order.

The BCM is impacting these 11 Kansas providers' ability to offer affordable, quality service to their customers. Tens of millions of dollars in future broadband investments to meet increasing customer demands are now at risk. All providers are evaluating retail rate hikes, even though their customers already pay more for service than their urban counterparts. Furthermore, the BCM puts loan repayments at risk and impacts their ability to attract and retain talented employees.

