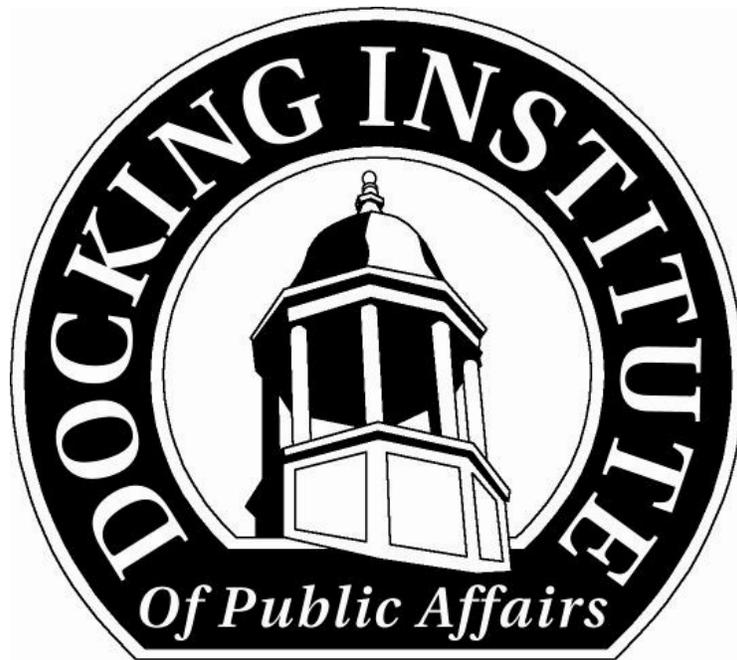


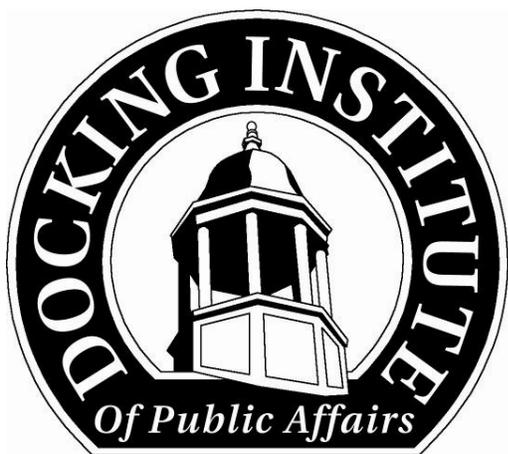
Rural Telephone/Nex-Tech Economic Impact Study



Prepared For
Rural Telephone Service Company, Inc.
And
Nex-Tech, Inc.

Prepared By
The Docking Institute of Public Affairs

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The Economic Impact (2010) of
Rural Telephone Service Company and Nex-Tech
On Their 18-County Service Area
And
An Analysis of the Projected
Economic Impact (2015) of the
Changes Proposed by the
Federal Communications Commission Under the
National Broadband Plan

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Executive Summary

Fort Hays State University's (FHSU's) Docking Institute of Public Affairs conducted this study to evaluate the economic impact the Notice of Proposed Rulemaking (NPRM) to implement the National Broadband Plan (NBP), released by the Federal Communications Commission (FCC) in March 2010, will have on Rural Telephone Service Company, Inc. (Rural Telephone), Nex-Tech, Inc. (Nex-Tech) and their 18-county regional economy. The NPRM proposes to reallocate Federal Universal Service Funds (FUSF). This study shows that the proposed regulatory changes will have a significant negative impact on the rural areas served by Rural Telephone and Nex-Tech.

The report establishes the current (2010) baseline using the economic output of Rural Telephone and Nex-Tech, and Indirect Effects and Induced Effects multipliers, to calculate the total economic output created by Rural Telephone/Nex-Tech on its 18-county regional economy. Rural Telephone/Nex-Tech has a substantial positive impact on the communities and local government in its footprint, as its economic impact for 2010 was estimated at \$123,698,923 in economic activity, 639 jobs and \$34,936,380 in total employee compensation.

Two projected scenarios for 2015 were developed. The first scenario—"Pre-NBP"—assumes the economic activity of Rural Telephone/Nex-Tech is likely to remain at the forecasted 2011 level through 2015. It also assumes that regulatory conditions will be at the

Pre-NBP state. The second scenario—“Post-NBP”—assumes the application of the FCC’s proposed rules.

The NPRM is estimated to result in a \$29,655,375 cumulative reduction in funding to Rural Telephone/Nex-Tech in 2015. The economic impact analysis shows that the reduction in funding from the FCC’s NPRM will cause an estimated loss of \$39,846,795 in economic activity, 206 jobs, and \$11,253,959 in employee compensation over the five-year period from 2011 through 2015. In percentage terms, these losses represent a reduction of 31.3 percent from the Pre-NBP levels of economic output for this 18-county regional economy.

Additionally, this reduction in funding will have an effect on the local governments and the state through the loss of \$300,843 in sales taxes, \$271,109 in property taxes, \$256,242 in income taxes, and \$46,351 in other taxes paid by individuals, for a total tax loss of \$874,545; a reduced ability to provide advanced communications services; and the potential for an increase in service fees to consumers.

The projected loss of more than \$29 million will require Rural Telephone/Nex-Tech to substantially change its operations. The total employment impact on the regional economy will be the loss of 206 jobs by 2015 and a corresponding total wage impact (loss) of \$11,253,959. Consequently, the negative impact on rural Kansas will be significant.