

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATIONS, COMPUTERS AND TECHNOLOGY

The meeting was called to order by Representative Mike Meacham at
Chairperson

3:30 ~~XXX~~ p.m. on March 14, 1984 in room 522-S of the Capitol.

All members were present except:

Representative Roper (excused)

Committee staff present:

Sherry Brown, Fiscal Staff, Research Department
James A. Wilson, III - Senior Assistant Revisor
Betty Ellison, Secretary to the Committee

Conferees appearing before the committee:

Dr. Marvin Harder, Secretary of Administration

The meeting was called to order by Chairman Meacham. Secretary Harder gave an overview of the proposed State Telecommunications plan. He used a chart to present the information found in Attachment 1. An executive summary of the State Telecommunications Plan was distributed. (Attachment 2) A detailed copy of the State of Kansas Telecommunications System Plan, Volume II, March 1984 may be found in the Legislative Research Department.

Regarding impact of the plan on state government, Dr. Harder noted an estimated increase in employment of 30 to 35 positions within a three year period. He stressed that while he had been told that he had the authority to implement this system, he would not do so without legislative involvement in the decision because he would then need to ask the legislature for authorization of the new positions necessary to make the system work. He noted that the 30 to 35 positions did not include maintenance positions. Responding to a question of Representative Baker, Mr. Laurence Kunkel, Director of Telecommunications, said there would be about 16 technical and 18 clerical positions, which would be similar to those at Southwestern Bell. In conclusion, the Secretary said that the option of maintaining status quo was rejected because of high cost. The other options, to implement the state system with or without fiber optics, might be decided by bidding both in order to determine which is cost effective. He noted that this is essentially the recommendation of the Governor.

The Committee then began consideration of House Bill 3095. Representative Baker explained her proposed amendment to the bill. (Attachment 3) She said there was some concern that if the city or county required someone to use this facility, they would have no recourse; the intention of the amendment was to give them a way of protesting the decision of the city or county. There was discussion of several aspects of the amendment. Representative Baker moved and Representative Aylward seconded adoption of the amendment. During continued discussion, the Chairman noted that the idea was to try to facilitate the use of these facilities by local units of government or to let them encourage the private sector to construct and use these facilities with a minimal amount of state interference and local decision-making. A vote was taken on the amendment and the motion carried.

A balloon copy of House Bill 3095 was distributed. (Attachment 4) Chairman Meacham noted that the legal department of the City of Wichita had submitted some amendments in consultation with the League of Municipalities in Sedgwick County. He said that the handwritten references on pages 3, 4 and 5, pluralizing "cities" and "counties" should be taken as license to give Mr. Wilson, of the Revisor's Office, the ability to pluralize where appropriate or not pluralize where not appropriate. Representative Rolfs moved and Representative Aylward seconded adoption of those amendments.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATIONS, COMPUTERS AND TECHNOLOGY,
room 522-S, Statehouse, at 3:30 ~~xxx~~/p.m. on March 14, 1984

Mr. Chris McKinzie, League of Municipalities, read an amendment, prepared at the request of the Chairman, to Section 5, lines 147 to 150 on page 4. This section would now read, "This section does not apply to persons who own or lease and occupy single family dwellings and surrounding land," insert the words "zoned for agricultural purposes;" "and who dispose of solid waste from the premises on such surrounding land," adding to that, "in accordance with state and local laws."

Representative Aylward moved and Representative Chronister seconded adoption of the amendment. The motion carried.

Representative Baker moved and Representative Chronister seconded that House Bill 3095 as amended be recommended favorably for passage. The motion carried.

Representative Green moved and Representative Sallee seconded that the minutes of February 15 and 23 be approved. The motion carried.

The meeting adjourned at 4:30 p.m.

Telecommunications

The Present Situation

The Bell System (complete service) no longer exists

- SWB Corp.
- SWB Telecom.
- AT&T Comm.
- AT&T Info. Services

SWB--provides local wire switch

SWB-Telecom--customer premise equipment and service

AT&T Comm.--intercity services

AT&T Info. Services--CPE and services

(SWB analogous to power utility)

(SWB Telecom-AT&T-IS analogous to appliance distributors)

Who Has What Today?

Local exchange service--SWB

Centrex switch (analogous to digital)

*KANS-A-N--AT&T Comm.

Intra-LATA, Inter-LATA and Interstate long distance

Customer Premises Equipment

AT&T-IS: Existing, rented equipment and new equipment

SWB Telecom: New equipment

Totally unregulated and subject to intense competition and bidding.

*Approximately \$3 million in KANS-A-N revenues was shifted from SWB to AT&T due to divestiture.

Cost Projections (Status Quo)

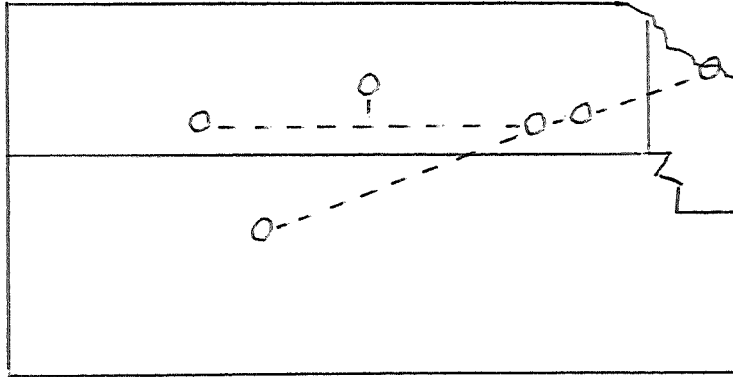
FY 85	\$17,000,000
FY 87	21,000,000
FY 92	29,000,000
FY 84	14,000,000

Why Costs Will Rise

- Telpak discontinued 1/86
- Access charges
- Centrex
- Private line (KANS-A-N)
- Inflation (tariff increases) } 8%
- Normal growth (usage)
- Increased costs of CPE (per lease)

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Alternative: A State Telecommunications Plan



6 Digital Switches (analog obsolete)
and related CPE

Fiber Optics Transmission Systems

Leased Transmission Lines

Projected Costs

Switches, Wiring and CPE	\$29.5 million
Fiber Optics Transmission	6.6 million
Central Control Facility	1.0 million
Project Management	<u>1.2 million</u>
Total	\$38.3 million

Financed over a 12-year period

Projected Benefit

Cost Avoidance - - - - - \$50.0 million

Projected Costs of Status Quo (12 years)

\$363.5 million	
Switches and CPE	\$143.5 million
Transmission	220.1 million

Projected Costs of State System (12 years)

\$313.1 million	
Switches and CPE	\$127.2 million
Transmission	186. million

Projected Savings of State System

\$50.4 million	
Switches and CPE	\$ 16.3 million
Transmission	34.1 million

Impact of the State Telecommunications Plan

On SWB

Lose Centrex Revenue
Gain on Long Distance
Lose access charges passed on by AT&T
Net difference: negligible to small gain

On AT&T

Loss on Intra-state Long Distance

On Kansas Consumer

Average phone bill up 5 to 8.5 cents per month
(+ some increase due to SWB's loss of AT&T access charges.)

On Kansas Taxpayer

Average yearly saving of \$4.00

On State Government

Increase in employment: 30 to 35 positions within 3 yrs.
Reduced operating costs

Implementation

July, 1984: 2 bid requests
 Switches, wiring and CPE
 Transmission system
 Bid both fiber optics and leased lines

January, 1985: Award Contracts
January, 1987: Complete Construction

STATE TELECOMMUNICATIONS PLAN:
EXECUTIVE SUMMARY

I. Overview

Rising costs, increased competition and economies of new technologies are some of the factors creating an environment which has encouraged large users of telecommunications services to reduce reliance on regulated telecommunications providers through development of various types of private telecommunications systems.

The State of Kansas, as a large consumer of telecommunications services, has been affected by increased costs and changing conditions. In anticipation of difficulty in controlling telecommunications costs, the Telecommunications Office began developing a private telecommunications system concept which was subsequently evaluated between 1980 and 1982 by the consulting firm of Booz-Allen and Hamilton. Booz-Allen concluded that the proposed system was technologically and operationally sound and that it was appropriate for stated requirements.

This document summarizes the State Telecommunications Plan, as updated, the current telecommunications environment, and the consequences of maintaining the status quo, the capital costs of the proposed system, the estimated savings to the state, the system's impact on telecommunications providers, implementation schedule, financing methodology, and management.

II. The present situation

On January 1, 1984, the Bell telephone system, which had for years provided telecommunications consumers with complete service, no longer existed. In its place are four new competing organizations which are restricted in terms of operating areas and functions, and which are prohibited from developing working relationships with each other. The four companies are:

1. Southwestern Bell Corporation (SWB-C). SWB-C provides local wire and switching services, and intra-LATA long-distance services. SWB-C is a fully regulated utility and is prohibited from providing inter-LATA long-distance service or customer premises equipment (CPE).

2. Southwestern Bell Telecom (SWB-T). SWB-T is a fully separated, unregulated subsidiary of SWB-C which sells, installs and services CPE. In Kansas, SWB-C and SWB-T are distinct entities that are prohibited from establishing mutual business arrangements (may have arms length transactions only).

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3. AT&T Communications (AT&T-C). AT&T-C is a regulated utility providing inter-LATA and interstate long-distance service, including private line services. Inter-LATA service is regulated by the KCC, interstate service by the FCC.

4. AT&T Information Systems (AT&T-IS). AT&T-IS parallels SWB-T in that it is a fully separated unregulated subsidiary of AT&T-C selling, installing and servicing CPE. It also owns and controls "embedded CPE" (leased CPE that was in place on customer's premises on 12/31/83).

AT&T-IS and SWB-T are competitors in the CPE market, along with a number of other vendors. AT&T-IS will also be in competition with its parent corporation, AT&T-C, as it can construct private telecommunications systems that would take business from AT&T-C. It is clear from the outline of four new companies' scope of operations that 1) consumers are now faced with a number of telecommunications vendors with competing interests; and 2) telecommunications consumers can no longer get all of their telecommunications service from one entity.

State government telecommunications needs are now served by these companies as follows:

1. CPE - AT&T-IS owns all of the leased CPE on State government premises as of January 1, 1984. Any new CPE is deregulated and therefore subject to competitive bid laws. AT&T-IS, SWB-T and a number of other vendors could provide new CPE. Following deregulation, the competition between CPE vendors has become extremely intense.

2. Switching; local service - SWB-C provides all local service and, in six locations, Centrex switching service. Centrex is a switching service for interoffice operations in a localized area, such as the Capitol Complex.

3. Long distance - AT&T-C now carries the bulk of long-distance service for the state government. All interstate and inter-LATA calls are under AT&T-C. Although SWB-C can provide intra-LATA service, intra-LATA calls for the state go over KANS-A-N, a private line network which is now under AT&T-C. A comparison of AT&T-C and SWB-C revenues from KANS-A-N before or after divestiture illustrates this change.

12/83 annual rate for KANS-A-N:

SWB-C	\$ 4,333,960 per year
AT&T-C	1,343,940 per year
Total	<hr/> \$ 5,617,900 per year

2/84 annual rate for KANS-A-N:

SWB-C	\$ 1,455,876 per year
AT&T-C	5,061,564 per year
Total	<u>\$ 6,517,440 per year*</u>

* The difference in totals between 12/83 and 2/84 is due to increased rates.

III. Projections of post-divestiture telecommunications costs

Now that divestiture has occurred, State agencies will feel an immediate impact from higher telecommunications rates. The most recent rate case alone will result in increases of the following amounts for the last half of FY 84 and for FY 85:

<u>Remainder of FY 84</u>	<u>\$ 590,354</u>
\$ 189,616 - local service	
\$ 358,167 - KANS-A-N	
\$ 42,571 - other intercity services	

<u>FY 85</u>	<u>\$ 2,758,326</u>
\$ 1,197,482 - local service	
\$ 1,465,907 - KANS-A-N	
\$ 94,996 - other intercity services	

Total expenditures are projected to double over the next eight years.

FY 84	\$14,896,472	FY 87	\$20,695,000
FY 85	\$17,815,000	FY 92	\$29,100,000

Calculations for the costs projections listed above include the effect of the recently mandated access charges, the discontinuance of TELPAK in FY 87 and an 8% escalating factor to account for inflation, future rate increases and normal growth.

Of these factors, the imposition of access charges and the discontinuance of TELPAK will have the most dramatic impact on State telecommunications expenditures. Access charges applied to Centrex lines and to private lines such as KANS-A-N are scheduled to take effect in April, despite the suspension of residential access charges. These charges will add \$450,000 to state expenditures in FY 85 and will increase until FY 89. In FY 89, access charges will equal \$1,100,000.

TELPAK is a bulk discount rate that forms the largest portion of the KANS-A-N rate structure. TELPAK will be discontinued in FY 86, forcing all of KANS-A-N to fall under the interexchange tariff. This will result in an immediate increase of \$1,600,000 per year for KANS-A-N.

Finally, the cost projections include an escalation factor of 8% to account for the combined effects of future rate increases, inflation and normal growth. This 8% per year factor is used throughout and, based on average, annual rate increases of 15-20% since 1976, is a conservative figure.

It is clear that, with an increase in telecommunications expenditures over the next seven years of nearly 100%, examination of alternative telecommunications systems is a prudent and necessary step.

IV. The State Telecommunications System: Description, Capital Costs and Financing

A. Description

The entire system, as proposed, consists of the following elements:

1. Digital switches. Three large "nodal switches" would be located at Topeka, Kansas City (KUMC), and Wichita (WSU) to serve State offices in those areas. The Topeka switch would also include central control features for the entire State system. Additional switches would be located at KU, KSU and Fort Hays State University. Small, "private branch exchange" (PBX) switches are planned for later installation at other population centers.
2. Customer Premise Equipment. The State would acquire its own customer premises equipment (handsets and related hardware) in the six cities where switches will be installed.
3. Fiber optics transmissions system. Transmission between major agency population centers would be provided by a fiber optic transmission system built into the highway right-of-way per the State's own specifications and used exclusively for governmental use. This approach would include short lengths of microwave transmissions for city entry purposes.

The State system, although primarily designed to benefit the State through lowered operating costs, would at the same time provide the State with capability to economically add enhanced services, particularly in the rapidly-developing area of high speed data transmission. The technology used in the design of the system was chosen not only for its capability to provide such services, but also for its economy, reliability, efficiency and economy of maintenance. Finally, the system was designed not to be simply a short-term answer to rapidly rising costs, but to adequately provide for State telecommunications needs over the next two to three decades.

B. Capital Costs, Financing and Repayment

Capital costs of the State telecommunications system are detailed in Volume II. A summary of the capital costs follows:

Local cable plant, switches, and CPE	\$29,547,000
Central System Control Facility	\$ 1,000,000
Project Management Costs	\$ 1,170,000
Intercity Transmission Facilities	\$ 6,597,000

Total Capital Costs of System	<u>\$38,314,000</u>
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The system would be acquired on a ten-year installment purchase basis. Several investment banking firms are interested in financing the project on a tax-free municipal funding basis, using certificates of participation financing, which would capitalize interest payments for the two-year construction phase. Repayment, which would start after the system has been cut over, would be made from fees charged to state agencies' communications operating funds. Financing could also be obtained from any of the large vendors. Throughout, all cost projections for the systems use an interest rate of 9.5%. The project would be centrally funded and managed by the Secretary of Administration.

C. Management

In order to protect an investment with the size and scope of the proposed State telecommunications system, and in recognition of the complexity of the post-divestiture telecommunications industry, the system would be managed on a centralized basis. New responsibilities related to the system would include supervision of vendor and maintenance contracts, engineering, planning and design, technical control of system operations, user services, and administration, including billing and usage tracking.

In order to carry the increased workload, 32 new positions would need to be added to the Department of Administration. Of these, 18 would perform clerical functions and 12 would have professional/technical responsibilities. No direct general fund appropriations would be necessary for those positions, as they would be funded through agency user fees.

V. Projected Costs Benefits to State

The capital costs of the State telecommunications system, which will be financed over a twelve-year period, total \$38,314,000. During that same twelve-year period, state agencies will benefit from projected cost avoidances of \$50,000,000 when compared with the costs of maintaining the status quo.

A more detailed examination of projected cost avoidance reveals that the switches and CPE are responsible for one-third of the total \$50,000,000 savings, and that the bulk of the savings--two-thirds--result from the transmission system.

	<u>Projected Costs of Status Quo (12 years)</u>	<u>Projected Costs of State System (12 years)</u>	<u>Projected Savings of State System</u>
CPE Switches	\$143.5 million	\$127.2 million	\$16.3 million
Transmission	220.1 million	186.0 million	34.1 million
	<hr/>	<hr/>	<hr/>
Total	\$363.5 million	\$313.0 million	\$50.4 million

All cost assumptions and details are presented in Volume 2.

VI. Effect of State Telecommunications Plan

The following projections of the effect of the proposed State Telecommunications Plan on regulated telecommunications providers and the general public are based upon expected operating costs for the State system during its first full year of operation (FY 88) and projected costs without implementation of the State Plan during the same year. The projections represent only effects that the Department is reasonably able to quantify using available information. Anticipated impacts that cannot be projected are also noted.

Impact on Southwestern Bell Revenues

When the State Telecommunications Plan becomes fully operational (FY 88), the impact on Southwestern Bell's revenues is estimated to be a decrease of only \$963,000 in FY 88.*

*Some portion of the long-distance revenue that would be lost to AT&T under the State Plan represents access charges that AT&T passes on to Southwestern Bell. Southwestern Bell would lose some of these access charges under the State Plan, but no information is available that could be used to quantify that effect. The Department of Administration believes that the effect should be minimal.

Since divestiture (1-1-84), most of the long-distance traffic has been AT&T revenue. However, with State-owned transmission facilities crossing LATA boundaries, Southwestern Bell could receive all traffic within LATA's where they can serve us in accordance with the rules of divestiture. It is this point that greatly minimizes the effect of the State Plan on Southwestern Bell. Under the State Plan, Southwestern Bell revenue from intercity service will increase by \$4,449,726 in FY 88. This helps offset a Southwestern Bell revenue loss of \$5,412,949 in FY 88 from local service (14,800 Centrex lines) when State-owned PBX's become operational at the six Centrex locations.

Effect on AT&T

In FY 88, AT&T could lose \$8,984,596 with the State Plan in effect. The estimated FY 88 revenue loss from implementation of the State Plan represents 7.9% of the estimated FY 88 AT&T gross operating expenses for Kansas intrastate services.

Effect on General Public

In considering the impact of the State Telecommunications Plan on the general public, any potential for increased rates due to lost revenues should be considered in light of the potential for reduced tax obligations due to lowered State costs. Although ratepayers and taxpayers cannot be assumed to be the same individuals in all instances, the comparisons should be a useful indication of the net impact on the general public.

Southwestern Bell. In any rate filing, individual consumers are affected differently than business users because rates are set by class of service, e.g., residential and various classes of business services. Therefore, two different measures of the effect on Kansas consumers due to Southwestern Bell revenue loss are presented.

1. The 1983 Telephone Engineering and Management Directory shows that, as of 1/83, Southwestern Bell was providing service to 1,610,594 telephones. If Southwestern Bell experiences a revenue loss of \$963,000 in FY 88, and if there was no further growth in number of telephones served over the next four years, the monthly increase in rates, per telephone, would be 5 cents. However, this figure is artificially high; the number of telephones served by Southwestern Bell in 1988 should be higher than in 1983, reducing the effect per telephone.

2. Another way to measure the effect is to spread the revenue loss out per access line. Access lines are the lines coming into a premise. A residence would have one access line coming in, but may have more than one phone. Using a 1/84 figure of 937,050 for the number of access lines for Southwestern Bell, and applying the same methodology as above, the monthly increase in rates per access line would be 8.6 cents. Again, this figure is unrealistically high, as the number of access lines in FY 88 should have increased.

Using the access line measure, a residence with two phones may experience a rate increase of 8.6 cents per month, while the per telephone measure would result in an increase of 10 cents per month for the same household.

AT&T. As noted before, AT&T would probably lose 7.9% of estimated 1988 intrastate gross operating expenses. However, this loss does not automatically translate into a 7.9% increase in intrastate long-distance rates. A number of factors affect the long-distance tariffs, making it impossible to estimate the actual impact on Kansas consumers. One factor that would tend to reduce the impact is the availability for future use of transmission facilities abandoned after the State system becomes operational. AT&T capital investment in new facilities would be reduced for a time, as it would not have to build new facilities to accommodate growth.

Taxes. Kansas taxpayers could benefit from the State system through lowering of State operating expenses. The Department of Revenue reports that there are currently 1,056,445 Kansas taxpayers. The projected \$50,000,000 in state savings over a 12-year period average \$4.1 million/year or \$3.94/taxpayer/year.

Summary of Effects Due to:

Southwestern Bell revenue loss* - increased rates of less than 5 cents/month/phone (60 cents/year), or less than 8.6 cents/month/access line (\$1.03/year);

AT&T revenue loss - probably less than 7.9% increase in intrastate long-distance rates;

Reduced State operating expenses - decreased taxes needed in the amount of \$3.94/ year/taxpayer.

*There could be some additional impact due to reduced access charges passed on by AT&T. However, the Department of Administration considers all of these projections to be based on a "worst case" scenario and believes that it is possible consumers may not experience any measurable change in their phone bills due to the State system.

Based on the above projections, the net impact of the State telecommunications system probably would be negligible or, in many instances, positive and beneficial.

VII. Implementation Alternatives

As the Department of Administration has reviewed the changes in the telecommunications industry and the future telecommunications needs of State government, three options have been identified:

1. Maintain the status quo (continue to use regulated providers as we do now).

2. Build the entire State system (switches, CPE and fiber optics transmission with leased private line to carry long-distance transmission not on the fiber optics routes).

3. Implement only the switches and CPE portion of the Plan.

Under the status quo, the State can expect its telecommunications costs to double over the next eight years. Therefore, the Department has concluded that the first option is unacceptable. However, the Department of Administration is not prepared, at this point in time, to make a final recommendation regarding the second and third options. Instead, the Department is proposing to keep both alternatives alive by soliciting two bids in mid-summer.

One bid would be for the switches and CPE. It would be followed by a bid for transmission with two options--constructing a fiber optics transmission system or providing existing digital transmission facilities on a leased, special assembly (unregulated) basis. By allowing vendors to submit bids for both types of transmission, the State will be able to evaluate both options and will be able to select the type of transmission which would be most cost-effective for state government. Only by requesting bids for both leased transmission facilities and for State-owned fiber optics transmission will the State have sufficient data to make an equitable, informed evaluation of the two alternatives.

Conclusions

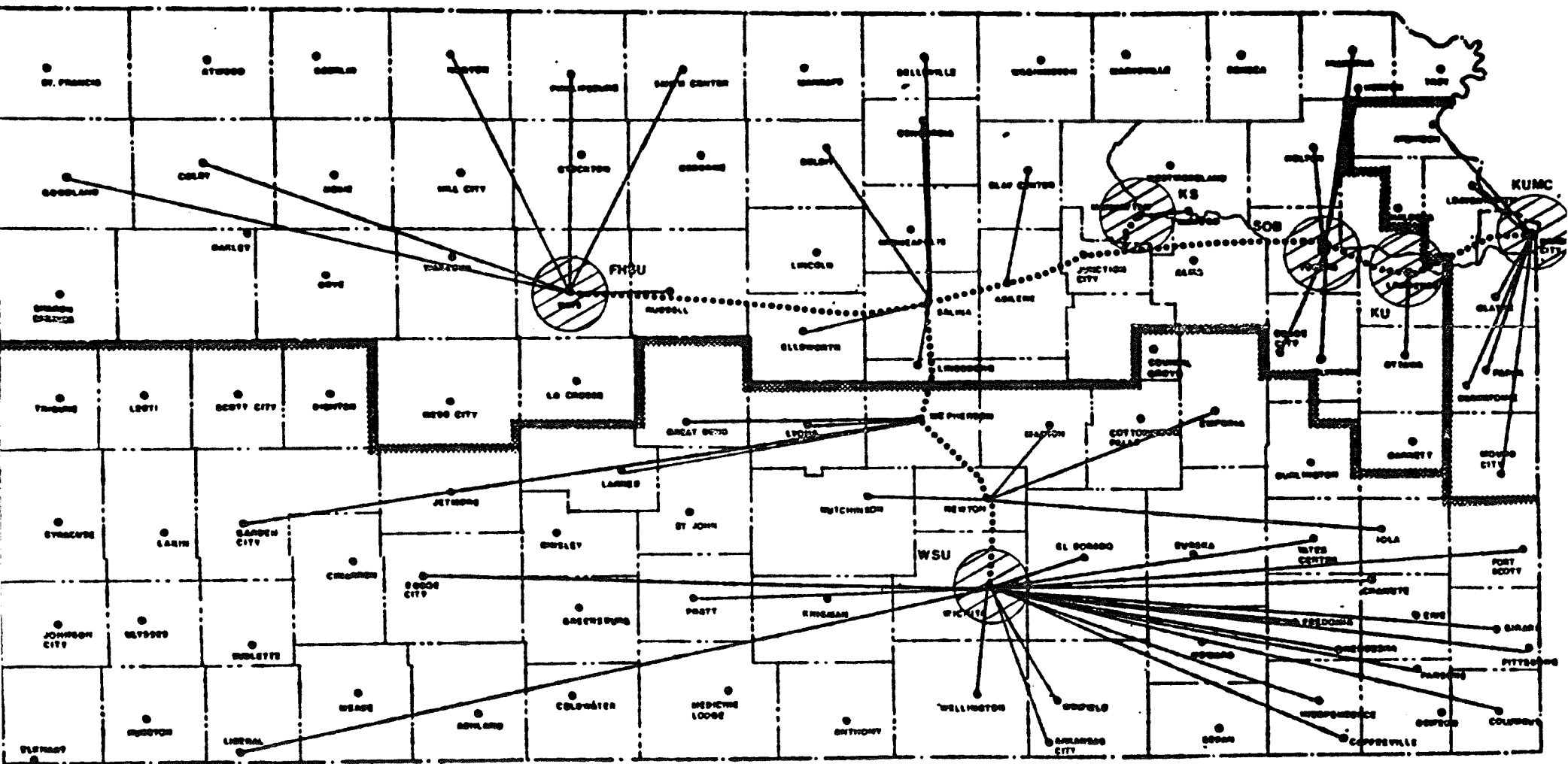
Divestiture and deregulation have now occurred. The immediate and long-range effects on State telecommunications costs can now be predicted with reasonable accuracy. The State can expect a doubling of State expenditures over the next eight years.

The Telecommunications Plan, now fully developed and refined, offers one viable means to reduce telecommunications expenditures. The Department of Administration projects that over a 12-year period, the proposed State system would result in cost avoidances of \$50,000,000.

Legislative support of additional staff needed as the system is implemented will be critical. These additional staff will be funded by user charges and will not require a general fund appropriation.

The Department of Administration recommends proceeding with preparation of bid specifications for the entire system. RFQ's, to be released in mid-summer, will state that vendors can bid on the fiber optics transmission system or propose a leased transmission system. Such an approach will allow the State to directly compare the proposed fiber optics transmission system with leased transmission to determine which will be most cost effective for the State.

PROPOSED STATE TELECOMMUNICATION SYSTEM



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PROPOSED STATE OWNED TRANSMISSION FACILITY

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LEASED COMMERCIAL TRANSMISSION FACILITIES

LATA BOUNDARIES



STATE PBX

STATE PLAN
TELECOMMUNICATIONS FACILITIES PROJECT
CAPITAL COSTS
January 1984

Telephone Switch, Microwave, and Cable Plant

1. Topeka Capitol Complex 7,500 ports	\$ 7,130,000
2. Kansas University Medical Center 4,500 ports	4,200,000
3. Kansas University 7,000 ports	7,400,000
4. Kansas State University 5,900 ports	6,230,000
5. Wichita State University and Wichita Complex 3,025 ports	2,932,000
6. Fort Hays State University 2,000 ports	1,655,000
Sub-Total	<u>\$29,547,000</u>

Intercity Transmission Facility

1. Kansas City, Topeka, Salina, Wichita	\$ 5,200,000
2. Salina, Hays	1,397,000
Sub-Total	<u>\$ 6,597,000</u>

Central System Control Facility \$ 1,000,000

Project Management Costs (Capitalized) \$ 1,170,000

Total Capital Cost of Project \$38,314,000

PROPOSED TELECOMMUNICATIONS INSTALLATION SCHEDULE

KS:2,36-84

CALENDAR YEAR	84				85				86				87																							
FISCAL YEAR	FY 84		FY 85		FY 86		FY 86		FY 87		FY 87		FY 88																							
MONTH	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
EVENTS	LEGI-SLATURE		E		NEW LEGI-SLATURE				LEGI-SLATURE		SF E		NEW ADMIN. HOUSE																							
INSTALLMENT PAYMENTS																																				
CASHFLOW/PROG.PYMT/ADVAN.					▼1 ▼2		▼3 ▼4		▼1 ▼2		▼3 ▼4		▼1 ▼2																							
SWITCH INSTALLATION																																				
TOPEKA and CENTRAL CONTROL			[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
KU							[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
KUMC							[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
KSU							[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
WSU							[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
FHSU							[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
PERSONNEL PHASE IN	ON HAND				5		14		5		4		2		2												TOTAL 43									
TRANSMISSION FACILITY			[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]		[Hatched]									
FIBER AND MICROWAVE																																				
LEGEND -																																				
RFQ ISSUED	[Hatched]																																			
BID EVALUATION	[Hatched]																																			
VENDOR ENGINEERING	[Hatched]																																			
CONSTRUCTION	[Hatched]																																			

PROJECTED ANNUAL COSTS (000's)

STATE SYSTEM PLUS RESIDUAL COMMERCIAL SERVICE

Cost Elements	FY 85	FY 86	FY 87	FY 88	FY 89	FY 95	FY 96	FY 97	FY 98	TOTAL
Fixed Costs: Capital Repayment	- -	- -	2,330	6,425	6,415	6,305	6,290	5,915	- -	65,515
Variable Recurring Costs										
Intercity Service (Residual)	7,562	9,579	9,728	8,194	8,849	14,043	15,166	16,379	17,690	163,259
Local Exchange Service	6,864	7,610	1,087	1,166	1,252	1,929	2,076	2,234	2,405	34,425
Total Variable Recurring Costs	14,426	17,189	10,815	9,360	10,101	22,277	23,532	24,528	20,095	197,684
State Costs	604	641	3,330	3,596	3,884	6,163	6,656	7,189	7,764	64,433
Tax Revenue Lost	- -	- -	626	895	969	1,485	1,597	1,718	1,848	15,158
Total State System Projected Costs	15,030	17,830	17,101	20,276	21,369	29,925	31,785	33,435	29,707	342,790

PROJECTED ANNUAL COSTS (000's)

CONTINUE SBC AND AT&T SERVICES

Cost Elements	FY 85	FY 86	FY 87	FY 88	FY 89	FY 95	FY 96	FY 97	FY 98	TOTAL
Fixed Costs: Capital Repayment(CPE)			2,268	2,268	2,268					11,341
Variable Recurring Costs										
Intercity Service	7,562	9,579	11,786	12,729	13,747	21,815	23,560	25,445	27,480	240,801
Local Exchange Service	6,864	7,610	5,987	6,579	7,116	10,661	11,428	12,257	13,152	125,304
Total Variable Recurring Costs	14,426	17,189	17,773	19,308	20,863	32,476	34,988	37,702	40,632	366,105
State Costs	584	534	1,537	1,660	1,792	2,844	3,072	3,317	3,583	30,283
Total Telco Projected Costs	15,010	17,723	21,578	23,236	24,923	35,320	38,060	41,019	44,215	407,729
Total State System Projected Costs	15,030	17,830	17,101	20,276	21,369	29,925	31,785	33,435	29,707	342,790
Cost Avoidance (000's)	- -	- -	4,477	2,960	3,554	5,395	6,275	7,584	14,508	64,939
Cumulative Cost Avoidance (000's)			4,351	7,311	10,866	36,572	42,847	50,431	64,939	64,939

PROPOSED AMENDMENTS TO HOUSE BILL No. 3095

On page 1, in line 38, by striking "said" and inserting "the";

On page 4, following line 156, by inserting the following:

"(e) Any person aggrieved by the decision of a city or county or combination of cities or counties requiring such person to use a facility to recover materials or energy from solid wastes pursuant to subsection (a) may request that the governing body of the city or county review such decision. If requested to review such decision, the governing body shall hold a public hearing thereon. Notice of such hearing shall be published once in a newspaper of general circulation within the affected municipality at least 10 days prior to the date of the hearing. Written and oral objections to the governing body's decision shall be heard at such hearing. After the hearing, the governing body shall reconsider its original decision and if the original decision is approved by at least 2/3 vote of the members of the governing body, such decision shall stand. The governing body shall send a copy of its final decision and reasons therefor to the person who requested the review."

Att. 3
3/14/84

HOUSE BILL No. 3095

By Committee on Ways and Means

3-6

0017 AN ACT relating to solid waste; concerning resource recovery
0018 facilities; concerning resource recovery facilities provided by
0019 cities and counties; amending K.S.A. 1983 Supp. 65-3418 and
0020 65-3450 and repealing the existing sections.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. K.S.A. 1983 Supp. 65-3418 is hereby amended to
0023 read as follows: 65-3418. (a) Title to the solid waste collected,
0024 processed or disposed of in accordance with the provisions of
0025 this act and the rules and regulations adopted thereunder shall
0026 vest in the owner of the solid waste management activity, area or
0027 facility in which the solid waste is placed. Solid waste produced
0028 from a discrete source disposed of in ways other than in accord-
0029 ance with this act shall remain the property of the generator and
0030 the generator shall be liable for removal of the waste, restoration
0031 of the area in which the waste was disposed and to provide for
0032 lawful disposal of the waste. It shall not constitute a defense to
0033 the generator that the generator acted through an independent
0034 contractor in the transportation or disposal of the solid waste.

0035 (b) *When a city or a county or combination of cities or*
0036 *counties provides for a resource recovery facility or facilities to*
0037 *recover materials or energy from solid wastes as a part of an*
0038 *approved solid waste management plan, said resource recovery*
0039 *facility or facilities shall have sole ownership, utilization and*
0040 *disbursement control of all waste collected by that facility or*
0041 *facilities or delivered to that facility or facilities and shall have*
0042 *the power to sell recovered or recycled materials or energy. Such*
0043 *provision shall be interpreted to include either active partici-*
0044 *pation and financial support of such resource recovery facility*
0045 *or facilities or oversight and regulatory control of such facility*

0046 *or facilities by the local governments. A resource recovery facil-*
0047 *ity may contract to dispose of special waste materials or prod-*
0048 *ucts as allowed by regulation according to the instructions,*
0049 *directions and conditions as set by the original owner of such*
0050 *materials delivered for disposal and resource recovery, so as to*
0051 *avoid reuse or resale of such special products or materials.*
0052 *Nothing herein shall be construed to prohibit or limit private*
0053 *waste collectors from extracting from the waste they collect,*
0054 *prior to delivery to the resource recovery facility, any materials*
0055 *that may have value to such collectors for purposes of recycling,*
0056 *reuse or resale.*

0057 Sec. 2. K.S.A. 1983 Supp. 65-3450 is hereby amended to read
0058 as follows: 65-3450. When a city or a county or combination of
0059 cities or counties provides for a facility *or facilities* to recover
0060 materials or energy as a part of an approved solid waste man-
0061 agement plan, any city, county or state agency may enter into a
0062 long-term contract to supply solid waste to the resource recovery
0063 facility; *or facilities*; to *construct, operate and maintain or con-*
0064 *struct or operate or maintain* such facilities; *to contract with a*
0065 *private entity for the construction, operation and maintenance*
0066 *of such facilities*; to market materials or energy recovered from
0067 such facility *or facilities*; or to utilize such facility *or facilities* to
0068 conserve materials or energy by reducing the volume of solid
0069 waste. For the purpose of this section "long-term" shall mean a
0070 period of not less than 10 nor more than 30 years. All long-term
0071 contracts negotiated under this section shall be reviewed and
0072 approved by the attorney general before becoming effective.

0073 New Sec. 3. (a) When a city or a county or combination of
0074 cities or counties provides for a resource recovery facility or
0075 facilities to recover materials or energy from solid wastes as a
0076 part of an approved solid waste management plan, the city or
0077 county may require any person capable of being effectively
0078 served by the facility to make use of the facility or of private
0079 facilities approved by the city or county in any case where the
0080 city or county finds such use to be in the best public interest. As a
0081 part of an approved solid waste management plan, the city or
0082 county has the authority to limit the overall capacity of resource

0083 recovery systems within its jurisdiction so as not to exceed the
0084 capacity for available solid waste and to serve the best public
0085 interest.

0086 (b) "Best public interest" for the purposes of subparagraph
0087 (a) shall be inferred if:

0088 (1) Required usage will result in reusable materials being
0089 recovered rather than being disposed of;

0090 (2) required use will lessen the demand for sanitary landfill
0091 sites and capacity;

0092 (3) required use will result in a positive energy balance or
0093 will conserve natural resources; or

0094 (4) required use is necessary to achieve operational volumes
0095 necessary to make the facility financially self-supporting to the
0096 greatest extent possible; and

0097 (5) such solid wastes are produced within the corporate
0098 limits of the city or county.

0099 (c) Solid wastes produced by a person other than a municipi-
0100 pality which are privately processed and reused shall not be
0101 subject to this section.

0102 (d) The city or county shall proceed as follows when requir-
0103 ing usage of facilities approved within its jurisdiction:

0104 (1) The city or county shall notify those persons whom the
0105 city or county has determined should use facilities of the city or
0106 county or the private facilities approved by the city or county.
0107 Notification to municipalities shall be in writing. All other per-
0108 sons shall be notified by publication of a legal notice in the
0109 official county newspaper. The notification shall specify types
0110 and quantities of acceptable wastes, plans for usage of wastes,
0111 the point of delivery of wastes and the fee to be charged for such
0112 service. During the ninety-day period following the notification,
0113 the city or county shall negotiate with any or all of the persons
0114 within the areas to be served in order to develop a contractual
0115 agreement on the terms of required usage of the facility.

0116 (2) If a contract has not been made at the end of the ninety-
0117 day period, or if, in the case of a person other than a municipality,
0118 such person has not made adequate arrangements for the proc-
0119 essing for reuse of the waste generated by such person, the city

0120 or county shall hold a public hearing to take testimony for and
0121 against required usage of the facility by the person. The hearing
0122 shall be preceded by notice similar to that required under
0123 paragraph (1).

0124 (3) If a contract has not been made within 30 days after the
0125 public hearing, or if, in the case of a person other than a
0126 municipality, such person has not made adequate arrangements
0127 for the processing for reuse of the waste generated by such
0128 person, the city or county may order any person given notice of
0129 the public hearing to use the facility or the private facilities
0130 approved by the city or county, starting at a specified date which
0131 shall be at least 30 days after the order has been issued. The city
0132 or county shall not terminate, suspend or curtail other services
0133 provided to any person required to use the services and facilities
0134 under this paragraph, without the consent of such person. The
0135 city or county shall be delegated the authority by the state to
0136 institute legal action in a court of competent jurisdiction for
0137 injunctive or other relief to enforce the provisions of this act at
0138 the local level.

0139 (4) In the case of a person other than a municipality, all
0140 obligations under contract or order under this section may be
0141 terminated as to any portion of that person's solid waste by the
0142 person upon an adequate showing to the city or county that the
0143 solid waste generated by the person has value and that adequate
0144 arrangements have been made by the person to have such waste
0145 processed for reuse either by such person or any other person
0146 other than a municipality.

0147 (5) This section does not apply to persons who own or lease
0148 and occupy single-family dwellings and surrounding land and
0149 who dispose of solid waste from the premises on such surround-
0150 ing land.

0151 Subsection (d) shall be construed to delegate control of local
0152 solid waste flow by the state to cities or counties subject to the
0153 oversight of such control by the state through this act, approval of
0154 individual resource recovery facilities by the Kansas department
0155 of health and environment, and through approval of a local solid
0156 waste plan by the Kansas department of health and environment.

0157 New Sec. 4. (a) When a city or a county or a combination of
0158 cities or counties provides for a facility or facilities to recover
0159 materials or energy as a part of an approved solid waste man-
0160 agement plan, the city or county may enter into contracts with
0161 private persons for the performance of any such functions of the
0162 plan which, in the opinion of the city or county, can desirably
0163 and conveniently be carried out by a private person under
0164 contract provided any such contract shall contain such terms and
0165 conditions as will enable the city or county to retain overall
0166 supervision and control of the business, design, operating man-
0167 agement, transportation, marketing, planning and research and
0168 development functions to be carried out or to be performed by
0169 such private persons pursuant to such contract. Such contracts
0170 may be entered into either on a negotiated or an open-bid basis,
0171 and the city or county in its discretion may select the type of
0172 contract it deems most prudent to utilize considering the scope
0173 of work, the management complexities associated therewith, the
0174 extent of current and future technological development require-
0175 ments and the best interests of the state.

0176 (b) Private entities may construct, operate, maintain and own
0177 resource recovery facilities; form contracts to supply solid waste
0178 to the resource recovery facility or facilities; form contracts to
0179 market materials or energy recovered from such facility or facili-
0180 ties; or utilize such facility or facilities to conserve materials or
0181 energy by reducing the volume of solid waste under the super-
0182 vision of and with the approval of the city or county, subject to
0183 the approval of the Kansas department of health and environ-
0184 ment, and in accordance with the approved local solid waste
0185 management plan.

0186 Sec. 5. K.S.A. 1983 Supp. 65-3418 and 65-3450 are hereby
0187 repealed.

0188 Sec. 6. This act shall take effect and be in force from and
0189 after its publication in the statute book.

HOUSE BILL No. 3095

By Committee on Ways and Means

3-6

0017 AN ACT relating to solid waste; concerning resource recovery
0018 facilities; concerning resource recovery facilities provided by
0019 cities and counties; amending K.S.A. 1983 Supp. 65-3418 and
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0023 read as follows: 65-3418. (a) Title to the solid waste collected,
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0025 this act and the rules and regulations adopted thereunder shall
0026 vest in the owner of the solid waste management activity, area or
0027 facility in which the solid waste is placed. Solid waste produced
0028 from a discrete source disposed of in ways other than in accord-
0029 ance with this act shall remain the property of the generator and
0030 the generator shall be liable for removal of the waste, restoration
0031 of the area in which the waste was disposed and to provide for
0032 lawful disposal of the waste. It shall not constitute a defense to
0033 the generator that the generator acted through an independent
0034 contractor in the transportation or disposal of the solid waste.

0035 (b) *When a city/or a county or combination of cities/or*
0036 *counties provides/for a resource recovery facility or facilities to*
0037 *recover materials or energy from solid wastes as a part of an*
0038 *approved solid waste management plan, said resource recovery*
0039 *facility or facilities shall have sole ownership, utilization and*
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land/or
by contract

Atch. 4
3/4/84

0046 or facilities by the local governments. A resource recovery facil-
 0047 ity may contract to dispose of special waste materials or prod-
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 0049 directions and conditions as set by the original owner of such
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 0052 Nothing herein shall be construed to prohibit or limit private
 0053 waste collectors from extracting from the waste they collect,
 0054 prior to delivery to the resource recovery facility, any materials
 0055 that may have value to such collectors for purposes of recycling,
 0056 reuse or resale.

What specific regulations is this in reference to? Local, state, federal?

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 0058 as follows: 65-3450. When a city or a county or combination of
 0059 cities or counties provides for a facility or facilities to recover
 0060 materials or energy as a part of an approved solid waste man-
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 0062 long-term contract to supply solid waste to the resource recovery
 0063 facility; or facilities; to construct, operate and maintain or con-
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 0065 private entity for the construction, operation and maintenance
 0066 of such facilities; to market materials or energy recovered from
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 0070 period of not less than 10 nor more than 30 years. All long-term
 0071 contracts negotiated under this section shall be reviewed and
 0072 approved by the attorney general before becoming effective.

except as a source for energy generation

0073 New Sec. 3. (a) When a city or a county or combination of
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 0075 facilities to recover materials or energy from solid wastes as a
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pluralize cities & counties

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0095 necessary to make the facility financially self-supporting to the
0096 greatest extent possible; and

0097 (5) such solid wastes are produced within the corporate
0098 limits of the city or county/

or combination of city and/or county

0099 (c) Solid wastes produced by a person other than a municipi-
0100 pality which are privately processed and reused shall not be
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or combination of city and/or county

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or combination of city and/or county

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0156 waste plan by the Kansas department of health and environment.

pluralize cities & counties

or combination of city and/or county

or combination of city and/or county

or combination of city and/or county

except as a source for energy generation

section is unclear, local ordinances should control

or combination of city and/or county

Pluralize cities & counties

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 0162 plan which, in the opinion of the city or county, can desirably
 0163 and conveniently be carried out by a private person under
 0164 contract provided any such contract shall contain such terms and
 0165 conditions as will enable the city or county/to retain overall
 0166 supervision and control of the business, design, operating man-
 0167 agement, transportation, marketing, planning and research and
 0168 development functions to be carried out or to be performed by
 0169 such private persons pursuant to such contract. Such contracts
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 0172 contract it deems most prudent to utilize considering the scope
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or combination of city and/or county

0176 (b) Private entities may construct, operate, maintain and own
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 0181 energy by reducing the volume of solid waste under the super-
 0182 vision of and with the approval of the city or county/subject to
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 0185 management plan.

or combination of city and/or county

0186 Sec. 5. K.S.A. 1983 Supp. 65-3418 and 65-3450 are hereby
 0187 repealed.

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0188 Sec. 6. This act shall take effect and be in force from and
 0189 after its publication in the statute book.