

Approved: February 7, 1996
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 6, 1996 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Jordan, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Carl C. Krehbiel, Kansas Telecommunications Coalition, Moundridge

Others attending: See attached list

The Chair asked for comments and discussion on the following appointments previously heard:

Confirmation of Doyle Rahjes, appointment to the Board of Kansas Technology Enterprise Corporation, term expiring January 15, 1999

Senator Reynolds moved, seconded by Senator Jordan, that **Doyle Rahjes**, be recommended favorable for confirmation to the Kansas Technology Enterprise Corporation. The recorded vote was unanimous in favor of the motion.

The Chair asked for comments and discussion on the following:

Confirmation of William Haynes, appointment to the Public Employee Relations Board, term expiring March 15, 1999

Confirmation of Floyd Taylor, appointment to the Public Employee Relations Board, term expiring March 15, 1998

Confirmation of Jeff Wagaman, appointment to the Public Employee Relations Board, term expiring March 15, 1998

Confirmation of Errol Williams, appointment to the Public Employee Relations Board, term expiring March 15, 1998

Confirmation of Greg Windholz, appointment to the Public Employee Relations Board, term expiring March 15, 1997.

Senator Burke moved, seconded by Senator Gooch, that **William Haynes, Floyd Taylor, Jeff Wagaman, Errol Williams, and Greg Windholz**, be recommended favorable for confirmation to the Public Employee Relations Board. The recorded vote was in favor of the motion.

SCR 1618: Telecommunications strategic planning committee - vision statement

Lynne Holt, Legislative Research Department, advised the Committee SCR 1618 is a Resolution recommended by the Telecommunications Strategic Planning Committee (TSPC) and identifies the applications that are important for a statewide telecommunications network to have the capacity to support. Ms. Holt reviewed SCR 1618 in its entirety.

Carl C. Krehbiel, Kansas Telecommunications Coalition, testified in favor of SCR 1618.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 6, 1996.

Mr. Krehbiel stated the Coalition is an alliance of 34 small Kansas telephone companies and Southwestern Bell. The Coalition believes the Legislature should establish telecommunications policy for the state, to be carried out by the Kansas Corporation Commission. Mr. Krehbiel states the Coalition supports SCR 1618 and strongly supports the reference that technology should extend to everyone. Mr. Krehbiel stated the Coalition supports the telecommunications policy based on the TSPC recommendations, coupled with Universal Service plan and provisions that take into account the differences between urban and rural areas. The Coalition urges the Committee to consider favorably the passage of SCR 1618. Mr. Krehbiel stated the capability to support telemedicine is important in attracting physicians to all areas of the state, particularly rural areas. He further likened the need of all areas of the state to have access to all telecommunications systems to that of a town not being on a railroad line where the towns slowly died. It is necessary that all Kansas have access to universal service at an affordable rate. Attachment 1

Senator Downey moved, seconded by Senator Feleciano, that **SCR 1618** be amended on Page 1, Line 34 by striking the words: "Telecommunity Centers and Televillages", and insert in lieu thereof the words: "telecommunication centers". The voice vote was unanimous in favor of the motion.

Senator Feleciano moved, seconded by Senator Jordan that **SCR 1618** be recommended favorable for adoption as amended. The recorded vote was unanimous in favor of the motion.

Upon motion by Senator Feleciano, seconded by Senator Jordan, the Minutes of the February 2, 1996 meeting were unanimously approved.

SB 555: **Establishing end-user support fund**

Lynne Holt, Legislative Research Department, briefed the Committee regarding the provisions of SB 555. Ms. Holt stated this is the other piece of legislation recommended by the Telecommunications Strategic Planning Committee (TSPC). SB 555 provides for the establishing of a seven member advisory board within the Kansas Corporation Commission. The board is appointed for fixed periods and will sunset after five years. The board will administer the Telecommunications End-User Support fund whose purpose is to support telecommunications applications considered necessary to realize the vision of universal service to all Kansans. Attachment 2

Ms. Holt stated there were reservations about using the term "universal service" as found in Section 1 as the phrase may have a connotation that is not intended and may need to be changed. Ms. Holt advised the TSPC recommended the revenues to capitalize the End-User Fund would be generated by assessing a 1% surcharge of existing intrastate telecommunications revenues. This is expected to generate approximately \$8 million to \$10 million and capped at \$50 million (5 years x \$10 million). SB 555, as drafted, provides a surcharge not to exceed 1% of all revenues collected from assessed intrastate retail billed toll minutes. This manner of capitalizing the Fund would not generate adequate dollars and would not create the equitable manner recommended by TSPC. Section 3 identifies the entities who would be the recipients of the funds. Page 3, Section 3, line 17, needs to be amended to reflect the change the Committee made in the language in SCR 1618 striking the words: "telecommunity centers and televillages" and inserting the words: "telecommunication centers".

The Chair informed the Committee the hearing on SB 555 is scheduled for February 7th.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for February 7, 1996.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: 6 Feb 96

NAME	REPRESENTING
David Schlosser	Pete McGill & Assoc
Scott Richardson	SWBT
Wayne Maichep	K. AFL-CIO
Pat Hubbell	SWB
Jenese Slenauer	SEWB
Roger Aeschliman	KDHR
George Wolf	KDHR
Mark Barcellona	KDOG/H
Roger Vonfeldt	Rural Telephone Service Co.
CARL KREHBIEL	MOUNDRI D 66 TELEPHONE CO.
Rob Hodges	KTA
George Barbee	Barbee & Assoc's
TOM DAY	KCC
Lora Powers	MCI
Mike Reelut	AT&T
JASON PITZENBERGER	BRAD SMOOT
Roger Franse	KGC
BILL BLASE	SWBT
BILL DREXEL	SWBT

TESTIMONY ON BEHALF OF
THE KANSAS TELECOMMUNICATIONS COALITION
BEFORE THE SENATE COMMERCE COMMITTEE

Carl C. Krehbiel

February 6, 1996

Senator Salisbury, and Members of the Senate Commerce Committee;

My name is Carl Krehbiel. I am the president of the Moundridge Telephone Company, a small, independent telephone company that serves the towns of Moundridge (population 1,500) and Goessel (500), and surrounding rural areas that include parts of McPherson, Harvey, and Marion counties. The size of my company is a little over 2,000 access lines.

I'm here today to speak on behalf of the Kansas Telecommunications Coalition, an alliance of 34 small Kansas telephone companies and Southwestern Bell. We believe the Kansas Legislature should establish telecommunications policy for the state, to be carried out by the Kansas Corporation Commission.

I would like to speak specifically on the vision statement recommended by the Telecommunications Strategic Planning Committee entitled:

Connection to the Future:
A Vision of Kansas Telecommunications for the 21st Century

First, I would like to say that nothing great is ever accomplished without a vision... without a vision, there would be no end result to work toward. We believe it is appropriate, and in fact essential, to have a vision to guide the development and implementation of telecommunications policy for Kansas.

The vision's opening statement..."Every Kansan will have access to a first-class telecommunications infrastructure that provides excellent services at an affordable price," sets the stage for all the points that follow. We feel especially strong about the "every Kansan" reference, as the benefits of technology should extend to everyone.

Let me focus on a few of the vision statement's points, and share with you what they might mean to a customer served by one of the coalition companies:

- The vision states: Kansas should adopt policies to ensure Universal Service is maintained in a competitive environment; this might mean that an elderly person living outside of Moundridge might continue to have affordable basic telephone service, at the same time advanced services for those who need them are being deployed statewide.
- The vision states: The network in Kansas will include the capability to support public safety, crime prevention, and judicial system applications; this might mean that E9-1-1 is extended to customers in every county in the state.

*Senate Commerce Committee
February 6, 1996*

Attachment 1 thru 1-2

- The vision states: The network will include the capability to support telemedicine applications, particularly in underserved areas of the state; this might mean that a clinic in Dexter that currently brings a doctor to town once a week, could, through interactive video, give citizens 24-hour, 7-days-a-week, access to a physician within the community.
- The vision states: The network will include the capability to support distance learning applications to enhance educational opportunities; this might mean that a 1A school in rural western Kansas, through interactive video, could share resources with other schools, including colleges and universities, in a cost effective manner, allowing all students, regardless of location, an equal opportunity to learn.
- The vision states: The network will include the capability to support business and economic development applications that enhance global competitiveness and job opportunities; this might mean that businesses located in Wichita County or Wichita, Park City or Overland Park, Atchison or Elkhart, will have access to the same telecommunications services at affordable and comparable prices, rendering meaningless, their location.
- The vision states: Kansas should adopt policies that ensure an orderly transition to a fully competitive telecommunications infrastructure, putting the consumer first by maximizing the use of market forces to encourage innovative services and prices; this might mean the appearance of a wide variety of competitors and innovative new services for customers in Wichita, Topeka, and Kansas City initially, and much of the rest of the state in the future.
- And the vision states: Kansas should adopt policies preserving and enhancing Universal Service at an affordable price for every Kansan, including the poor, and those who live in remote areas; this might mean that the lines of separation between urban and rural, between economical and uneconomical, between have and have not, will begin to blur, and ultimately, to disappear.

We believe that telecommunications policy based on the TSPC recommendations coupled with Universal Service plan and provisions which take into account the differences between urban and rural areas will allow this vision statement to become a reality for all Kansans.

In summary, the Kansas Telecommunications Coalition believes a vision should guide telecommunications policy decisions. We encourage you to adopt Senate Concurrent Resolution Number 1618, a vision of Kansas telecommunications for the 21st Century.

Thank You

CHAPTER IV

A Vision of Kansas Telecommunications for the 21st Century

The Committee identified the applications that were most important for a statewide telecommunications network to have the capacity to support. That vision statement is set forth below:

Connection to the Future:
A Vision of Kansas Telecommunications for the 21st Century

Every Kansan Will Have Access to a First Class Telecommunications Infrastructure That Provides Excellent Services at an Affordable Price.

To that end, Kansas should adopt policies that ensure:

- A. *Universal service in a competitive environment;*
- B. *An interconnected statewide telecommunications network that provides state-of-the-art high-speed communications to all Kansas communities. The network will include the capability to support:*
- public safety, crime prevention, and judicial system applications;
 - telemedicine applications, particularly in underserved areas of the state;
 - services for persons with special needs;
 - distance learning applications to enhance educational opportunities;
 - library service applications for research and education, and to facilitate access by citizens who do not have information technology;
 - electronic access to government services and intergovernmental communications;
 - high-speed information transmission and computer networking for business and research applications;
 - access to an Internet provider at a reasonable price for residential, business, governmental, and educational use;

*Senate Commerce Committee
February 6, 1996*

- business and economic development applications that enhance global competitiveness and job opportunities; and
- high-quality video, voice, data, and multimedia communications links for Telecommunity Centers and Televillages.

C. *An orderly transition to a fully-competitive telecommunications infrastructure.*

These policies will:

- put the consumer first by maximizing the use of market forces to encourage innovative services and prices;
- preserve and enhance universal service at an affordable price for every Kansan, including the poor and those who live in remote areas;
- promote advanced telecommunications interconnectivity and compatibility;
- promote investment in Kansas, including the upgrading of the telecommunications infrastructure throughout the entire state in a timely manner;
- integrate information technologies into Kansas business through technology transfer and applied research;
- provide educational and training programs using telecommunications and information technologies; and
- provide a method of ensuring and monitoring the achievement of this vision.

It should be noted that the vision statement is not technology specific and reflects in general terms the needs identified in the *Kansas User Needs Assessment* summarized in Chapter III. Many of the key concepts included in the vision statement of: stimulating competition; protecting universal service; encouraging providers to invest in upgrading the telecommunications infrastructure; and promoting advanced telecommunications interconnectivity and compatibility are also operative in the proposed regulatory framework addressed in Chapter VII.

CHAPTER IX

Mechanisms to Assist Consumers

For the most part, the Committee assumes that a proper regulatory environment will provide many of the incentives needed to encourage companies to install the necessary technologies and provide the necessary services to support the applications identified above. However, "gaps" will exist and ubiquitous delivery of services identified in the Committee's vision statement is not likely to occur without other incentives. Therefore, at least one financing mechanism is proposed below that could complement the Committee's proposed regulatory framework – the Telecommunications End-User Support Fund. A Board would be established to administer the Fund, provide a clearinghouse function for telecommunications grant proposals and other resources, organize information on emerging services and technologies, and advocate for and support the development of telecommunications programming and services. These structure and intended activities of the Board are described below.

Establishment of a Board

The Committee recommended that the Legislature establish a Board within the Kansas Corporation Commission. Board members will serve in an advisory capacity to the Commission. Board members will receive travel expenses and per diem. Appointments to the Board will be for fixed periods and established so as to minimize the number of members being replaced in any one year. The Board will sunset after five years.

Responsibilities of the Board. The Board will:

- **Be guided by and promote the vision statement addressed above.**
- **Administer the Telecommunications End-User Support Fund.**

Purpose. The Fund will support the applications identified in the vision statement above to finance end user premises equipment, equipment installation, training, and expenses associated with Board administrative activities. In addition, funding will be set aside specifically to support telecommunications services for persons with special needs. The Fund will be sunsetted in five years.

Revenues. Revenues to capitalize the Fund will come in a competitively neutral manner from all telecommunications providers. It is envisioned that approximately \$8 million to \$10 million would be generated annually and credited to the Fund, assuming that 1 percent of existing intrastate telecommunications revenues could be dedicated for that purpose. Therefore, the Fund should be capped at \$50 million (\$10 million multiplied by five years). Funding will be collected through a surcharge on customers' bills for telecommunications services (defined as the provision of services for the transmission of telephone messages, or two-way video or data messages in the Weber Temin Policy Framework) and/or through other methods, such as dedicated transfers from the Economic Development Initiatives Fund.

End Users. Prospective end users will include but not be limited to: cities and counties; local law enforcement; hospitals; K-12 schools; postsecondary educational institutions; local libraries; Telecommunity Centers and Televillages; nonprofit service organizations; and business or research consortia engaged in research endeavors. Businesses will not be eligible for funding.

Fund-Related Responsibilities. The Board will be responsible for: writing requests for proposals; reviewing grant, matching grants, or loan proposals from prospective end users; developing criteria for grant and matching grant awards or loans; approving grants, matching grants, or loans; developing reporting and monitoring procedures; establishing a means of informing prospective end users about the existence of the Fund; and establishing other procedures necessary to administer the Fund effectively.

- **Provide a Clearinghouse Function for Telecommunications Grant Proposals (NTIA) and Other Resources.** The Board will provide information to prospective grant applicants in a timely manner about requests for proposals and information about possible contacts for coordination and partnerships. Prospective applicants for NTIA and similar grants will not be inclined to submit proposals to the Board for review unless those applicants perceive that they will derive some sort of tangible benefit from such submittal. The Board will not approve or disapprove NTIA or other telecommunications proposals. Its activities will be confined to coordination efforts, referrals, and technical assistance.
- **Organize Information on Emerging Services and Technologies.** There are three general sources of information that will assist the process of making prospective end users aware of various applications:
 - the marketing efforts of commercial providers;
 - the marketing efforts of public agency providers to their primary constituencies; and
 - the more broadly focused information services of local libraries for the public.

While the importance of the marketing efforts undertaken by commercial providers is recognized, so is the importance of making independent and objective information available to the public. To that end, it is recommended that the Board assume responsibility for organizing information on emerging services and applications (some of which is available in trade journals). This information could be compiled periodically in the form of an annotated bibliography and then given to the State Library to disseminate on the World Wide Web or Blue Skyways to all local libraries and other interested parties.

- **Advocate For and Support the Development of Telecommunications Programming and Services.** The Board will promote the development of telecommunications programming and services that:
 - combine and connect in a technologically neutral manner a wide array of equipment in networks and on consumer premises;
 - with respect to applications and software, allow consumer access to organized and easily understood information; and
 - make investments in people who use new technologies to create, construct, manage, and train.

- **Submit an Annual Progress Report.** The Board will report annually to the Governor, the Legislature, and the public the activities undertaken to accomplish the five major responsibilities outlined above.

Composition of the Board. The Governor will appoint, on a geographically representative basis, a total of seven voting Board members, of whom no more than four may be from the same political party as the Governor. In addition, three nonvoting members will serve on the Board, representing the Kansas Corporation Commission, the Kansas Division of Information Systems and Communications, and the Kansas Information Resources Council, in the capacity of Chief Information Architect.

Finally, the Committee envisions that the proposed Board will coordinate its activities with those of other telecommunications task forces and working groups operating throughout the state. A brief description is included in **Appendix VII**.

The committee shall provide two written reports to the Legislature. An interim report shall be made to the 1995 session of the Legislature. The final report shall be made by January 1, 1996. The committee report to the 1996 Legislature should include, but not be limited to, the following:

(a) A definition of the term "telecommunications infrastructure" and a procedure for possible modification of that definition;

(b) a statewide inventory of the existing telecommunications infrastructure and an assessment of the telecommunications needs of end users;

(c) identification of applications for telecommunications of importance to the state and a method of setting priorities for their development. This analysis should include a plan for promoting such development, including: A means of providing for coordination and cooperation among public institutions, as well as private users, for purposes of efficient and economical acquisition and use of such applications; a means of fostering interconnections and interoperability among the networks used for such applications; and a process for informing prospective end users about the use and availability of new technologies associated with such applications. Outcomes to be considered include: Improving the competitiveness of Kansas businesses; improving the quality, affordability and availability of health care; improving the quality of and accessibility to primary, secondary and postsecondary education; increasing the efficiency, effectiveness and responsiveness of state and local government; and affording citizens greater exposure to cultural and recreational amenities;

(d) based on generic docket findings of the corporation commission, a recommendation to the legislature concerning the form of regulation that would be appropriate for services which remain regulated;

(e) formulation of recommendations to the Governor, the Legislature and Corporation Commission on key concepts and changes to be incorporated into state regulatory policies and policies adopted by the division of information services and communication within the department of administration for the state information network; and

(f) an evaluation of the creation and retention of jobs in the telecommunications industry in Kansas. The interim report to the 1995 legislature should relate the committee's progress on these issues to the extent they may be resolved.

Be it further resolved: That subject to appropriations, the Legislative Coordinating Council shall contract for the development of a report to identify present and anticipated trends in telecommu-