

Approved: 4-5-96
Date

MINUTES OF THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS.

The meeting was called to order by Chairperson Doug Lawrence at 1:40 p.m. on February 13, 1996 in Room 313-S of the Capitol.

All members were present except: Rep. Greg Packer - excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Ann Graham, Committee Secretary

Conferees appearing before the committee: Edward H. Hammond, President - Fort Hays State University
Walker Hendrix, Consumer Counsel - Citizens' Utility Ratepayer Board

Others attending: See attached list

Chairman Doug Lawrence called the meeting to order at 1:40 p.m. He called the committee's attention to a fiscal note that had been distributed, concerning **HB 2790** by House Select Committee on Telecommunications, would authorize the Kansas Corporation Commission to collect a per-minute surcharge from providers of intrastate retail toll calls that would be credited to the newly-created Telecommunications End-User Support Fund.

He announced a change in the agenda, **HB 2762** was scratched from the schedule and **HB 2994** was added, to begin hearings tomorrow, February 14, to continue February 15 and February 19. The reason for that change is that the language in **HB 2762** is incorporated into **HB 2994**, all of the language is there, plus Universal Service, plus Rural Entry.

Chairman Lawrence opened the public hearing for **HB 2790**.

HB 2790: An Act concerning telecommunications; relating to end-user support.

Lynne Holt, Legislative Research Department, explained the provisions of **HB 2790**.

The Chair welcomed Edward Hammond, President, Fort Hays State University. Dr. Hammond testified in favor of **HB 2790**, he feels telecommunications and information technologies offer tremendous opportunities to a state as rural and geographically large as Kansas. Not only are such technologies extremely critical for the future of the people of the state of Kansas, such technologies may provide the opportunity to reduce the friction of distance and to tie the state together today. (See Attachment 1)

The Chair welcomed Walker Hendrix, Consumer Counsel for the Citizens' Utility Ratepayer Board. Mr. Walker feels **HB 2790** has many laudable purposes, however, from a consumer standpoint, CURB has certain concerns with a fund that is supported by a billing surcharge on toll rates, even though the surcharge to be passed along to customers is no more than 1% of the intrastate toll traffic. (See Attachment 2)

The Chairman allowed time for the committee members to question the conferees. He announced that the matrix that is being prepared is almost ready and any interested parties should have their comments handed in to Lynne Holt, Legislative Research, by tomorrow morning, February 14, or call. He also called attention to a LTD Infrastructure Technologies Access Guide, by Sprint, that has been distributed to all committee members.

The meeting adjourned at 2:35 p.m.

The next meeting is scheduled for February 14, 1996

SELECT COMM. ON TELECOMMUNICATIONS COMMITTEE GUEST LIST

DATE: 2-13-96

NAME	REPRESENTING
Anne Humphrey	Ks. Hospital Assn.
Mike Meacham	Ks Cable Telecommunications Assn.
Eva Powers	MCI
Stenda Cifer	KCC
Ley Mc Donald	KCC - Staff
David Burity	KCC
Ed Schaub	Western Resources
WALTER HENDRIX	CURB
SIDNEY WARNER	KS BD OF REGENTS
Barbara Paschke	Regents staff
Drey Harrison	TCI
Scott Rulandian	SWBT
DAVID B SCHROSSER	PETE MCGUID ASSOC
FRED BOESCH	State of Kansas Chief Info Architect
Mike Recht	AT+T
JASON PITSBERGER	BRAD MEET

Before the Select Committee on Telecommunications

Testimony In Support of H.B. 2790

Edward H. Hammond, President
Fort Hays State University
February 13, 1996

Mr. Chairman and Members of the Committee, I want to thank you for this opportunity to testify and to commend you for work in addressing telecommunications issues. Telecommunications and information technologies offer tremendous opportunities to a state as rural and geographically large as Kansas. Not only are such technologies extremely critical for the future of the people of the state of Kansas, such technologies may provide the opportunity to reduce the friction of distance and to tie the state together today. For that reason, I have asked to testify in favor of H.B. 2790 establishing a fund for end-user support.

As this Committee has recognized, the privately owned telecommunications infrastructure and the companies which operate this infrastructure are extremely important to Kansas. A system of regulation which is balanced and which stimulates investment and upgrade in the infrastructure is critical. However, the citizens of the state can not truly benefit from the best infrastructure in the world if: 1) key public organizations are not linked and using the infrastructure; and 2) if businesses and the public do not have the knowledge to utilize the infrastructure.

I would first like to address public equipment needs:

K- 12 School Systems

- Schools must grapple with the costs of implementing technology into their classrooms. Interactive television (ITV) can work as a tool to both save staffing costs and to expand curriculums. Schools can share outstanding teachers and courses. Many rural school

districts for example, have a difficult time affording a foreign language teacher because they do not have enough Spanish or German students to justify a full-time teacher. That teacher may be shared through an ITV network to several schools. Kansas school systems have shared courses ranging from Home Economics to Japanese.

- The Internet offers school students tremendous learning opportunities. The resources and information of libraries, museums, corporations, and even legislators' and the Governor Grave's World Wide Web page are available for students to learn from. To use this resource, schools must have an Internet connection and must have networks, modems, and computers. Schools need the resources to pay for such connection and equipment.

Higher Education

- In a time of fiscal limitations, higher educational institutions in Kansas must share library resources and turn increasingly to providing joint programs instead of duplicating one another. These goals require library interconnection and the technical equipment needed to provide distance learning to the student.
- A group of states to our west have banded together to develop what they are calling the "Virtual University." Kansas can and should be a player in this effort which will expand the availability of educational offerings to non-traditional and place-bound persons. It is also the type of model that we need to emulate as we recognize that at several times in an adult's life, he or she will require additional education in order to meet the demands of the modern workplace. To provide these services, requires the availability for the funding for technology.

Libraries

- Since the time of Ben Franklin, public libraries have served as a place where citizens can access books and information. In an information society, libraries -- although they may be very different animals from the past -- may be key to public access to information. Public libraries, just like school and university libraries should be connection points to resources around the globe. Computer connections require dollars.

Law Enforcement

- Information technology offers a multitude of uses for law enforcement personnel. A sampling of these uses include: use of interactive television for arraignments and hearings which save substantial transportation costs; use of telemedicine to connect doctors to prison facilities; shared use of judges for twenty-four hour issuance of search warrants; transmittal of crime lab data, and coordination between state and local law enforcement agencies. As criminals become increasingly mobile, communication between law enforcement agencies becomes increasingly vital. Drug dealers are using cellular phones, satellite pagers, and other scanning devices. Law enforcement officers must be equipped to counter these tools.

Telemedicine

- Telemedicine offers a hope for the future of rural health care as communities struggle to maintain doctors and services. Equipment to offer interactive television consultation, tele-radiology, or even home health services is available today but have only been implemented in a handful of locations. All of these are being used in Hays as we speak. For other communities, without the assets or size of Hays, will have difficulty equipping themselves.

Training/Directed Research

- The executive summary of Telecommunications User Needs Assessment prepared for the Kansas Telecommunications Strategic Planning Committee makes several powerful statements regarding economic development and the need to have resources available to establish a competitive advantage for the business environment in this state. The report stated "Effective use of information resources will require extensive re-orientation and training as well as the availability of these resources." The Vision Statement adopted by the KTSPC also resolved that information technologies should be integrated into Kansas business through technology transfer and applied research as well as educational and training programs. Fort Hays State University is currently attempting to work with businesses and to provide information technology training. We have received some key support from the private sector in this endeavor. However, demands are substantially outstripping the resources which we have been able to reallocate or raise privately for these efforts. For Kansas to have a business community and workforce which can effectively compete, substantially more resources need to be available.

Mr. Chairman, your Committee's work on regulation is very promising, I strongly urge that we take the step of making certain that our schools, hospitals, and other public organizations have the ability to hook into and to use the infrastructure system. Our goals for connecting these organizations should be efficiency and effectiveness. I also strongly urge that we work with our business community to assist our business in integrating these technologies. They are thirsty for assistance and help which will keep them competitive in a national and international marketplace. Last week I was a formal speaker at both the Kansas Chamber of Commerce and Industry Caucus

Day and to the Kansas Bankers Association -- speaking about the role that information technology will have in our home and business environments. Since that time, my office has received requests from five chamber, banking, or business development organizations for the same presentation. Our businesses are serious about staying on the leading edge.

I appreciate this opportunity to testify, I would be pleased to answer any questions.

SELECT COMMITTEE ON TELECOMMUNICATION

Testimony of Walker Hendrix
Consumer Counsel for the Citizens' Utility Ratepayer Board

February 13, 1996

House Bill No. 2790 establishes an end-user support fund. The fund is supported by a per minute surcharge on providers for each intrastate retail billed toll minute. In turn, this surcharge will be assessed back against the customer. In five years, the fund could raise up to \$50 million. Despite its name, the fund only benefits certain end-users, namely local governmental units, law enforcement, hospitals, schools and libraries. The bill has many laudable purposes. However, from a consumer standpoint, there are certain concerns that CURB has with a fund that is supported by a billing surcharge on toll rates, even though the surcharge to be passed along to customers is no more than 1% of the intrastate toll traffic.

TAX IMPLICATIONS

House Bill No. 2790 appears to be an assessment that is borne by

consumers to fund telecommunication services and equipment purchases by governmental units. There are policy issues concerning whether it is appropriate for telephone ratepayers to pick up the cost of these governmental expenditures. Telephone bills today already include assessments for: (1) special municipal charges; (2) special E911; (3) interstate access charges; (3) federal, state and local taxes; and (5) perhaps a soon to be implemented state access charge for rebalancing rates for the effect of competition and deregulation.

Rate-rebalancing is being proposed by the Telecommunications Strategic Planning Committee. This plan would shift long distance charges on to the local service rate to reduce toll and access rates, which are perceived by most telecommunications companies to be too high. The surcharge would reimpose charges to long distance rates and undermine the rate-rebalancing plan in the TSPC report. (CURB also takes issue with the rate-rebalancing proposal of the TSCP, but this is a subject for later discussion.)

CURB takes the position that it is better for governmental units to pay for telecommunication services and equipment through the normal appropriation and budget processes. Because there are substantial

revenues to be gained from telecommunications reform and restructuring, it may also make some sense to encourage the telephone industry to make contributions to fund infrastructure developments without assessing consumers.

WHAT IS TO BE FUNDED ?

The bill is unclear what telecommunication services and equipment purchases will be funded. If the goal is to fund interactive video development for schools and local governments, there are additional questions concerning the rates and charges which will be ongoing to defray subscriber monthly rates to the telecommunications carrier. For example, assuming grants are made to fund studio equipment for interactive video, there are still expenditures for intra-cluster channel termination charges of \$1,155.00 per month, linkage and inter-site rates as well as ethernet usage rates. The compounded effect of this program could cause considerable growth in governmental spending over time. Given duplication in purpose and effort, this funding is better left to the scrutiny of appropriations or other budget processes.

AFFORDABLE ?

Unfortunately, Kansas is in a downward economic cycle. Poverty

levels are increasing faster in Kansas than the national average. Real median household income is declining. Telephone penetration has dropped a surprisingly 1% in 1994. Kansas has a relatively large elderly population.

Given these demographics, some concern should be given to the cost of phone service and the impact of this surcharge. Universal Service could be impaired. Because of the funding mechanism, CURB would oppose House Bill No. 2790 and encourage the committee to look at other proposals for telecommuincation services and equipment development.