

Approved: 3/9/94
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 8, 1994 in Room 123-S of the Capitol.

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

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

Conferees appearing before the committee:

Others attending: See attached list

Committee discussion and possible action on a Substitute for SB 591 and a Senate Concurrent Resolution

Lynne Holt, Legislative Research Department, reviewed the amendments proposed by Senator Feleciano to the proposed Senate Concurrent Resolution. On page 2, the Department of Administration was added to the Kansas Inc. Telecommunications Action Planning Committee. On page 5 and page 6, (a) through (i) was reworded and relettered. Also, on page 5, at the top of the page, the language that prohibited KCC staff members serving on the committee, from voting on issues which could be perceived to be a conflict of interest, was deleted. The definition of "universal service" and the extent to which it has been achieved in every region of the state; a definition of criteria for provision of "basic telephone service" and the availability and provision of such service in a competitive environment; and a definition of "lifeline telephone service" and specification as to the appropriate means of funding the provision of such service, was removed from the Telecommunications Action Planning Committee and put under the jurisdiction of the KCC. On page 5, (b) and (c) were amended to read (b) establish a classification system for telecommunications services based on the degree of competition faced by providers of the particular service; and (c) establish standards and procedures by which the rates, terms and conditions of telecommunications services are regulated in accordance with their classification as in clause (b). The deadline for the final report was changed to read March 1, 1996. On page 3, "(e) development of a procedure for ensuring the quality of telecommunications services; and", was deleted, see attachment 1.

Senator Feleciano moved and Senator Burke seconded to adopt the amendments to proposed Senate Concurrent Resolution, 3 RS 2555, plus the addition of a member of the Kansas Association of Broadcasters to the Kansas Inc. Telecommunications Action Planning Committee, plus the final report date of March 1, 1996. The motion carried on a voice vote.

A motion was made by Senator Feleciano and seconded by Senator Burke to adopt the subcommittee report as amended and to recommend the Senate Concurrent Resolution, favorably for passage. The motion carried on a roll call vote.

Substitute for SB 591

Senator Harris moved and Senator Steffes seconded to amend Substitute for SB 591 in Section 1, The continuation shall include capital expenditures by such telecommunications public utilities "of not less than \$56 million nor more than \$64 million, in a manner and amount to be determined by agreement between the corporation commission and the telecommunications public utility".

Senator Feleciano made a friendly amendment that the amount agreed upon would be in excess of normal infrastructure improvement.

Senator Kerr moved to add another friendly amendment after "utility", be generally focused on

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 8, 1994.

improving the access so schools to modern telecommunications. After committee discussion, Senator Kerr withdrew his friendly amendment.

The motion of Senator Harris, seconded by Senator Steffes, with a friendly amendment by Senator Feleciano, was carried on a voice vote.

Senator Feleciano moved to amend Section 1, (b) Nothing in this section shall prevent the corporation commission from further relaxing regulation of telecommunications services to add, "from authorizing competition in existing services or entry of new competitive services,"...Senator Hensley seconded the motion. The motion carried on a voice vote.

Senator Feleciano moved and Senator Harris seconded to adopt the subcommittee report on SB 591, as amended, and recommend it favorably for passage. The motion carried on a roll call vote.

A motion was made by Senator Feleciano to adopt the minutes of March 7, 1994. The motion was seconded by Senator Reynolds and carried on a voice vote.

The Chairman adjourned the meeting at 9:00 a.m.

The next meeting is scheduled for March 9, 1994.

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: 3/8/94

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Alan STEPPAT	TOPEKA	PETE McGill & Assoc.
Janet Stubbs	Topeka	Stubbs & Assoc.
Dennis Koch	TOPEKA	SWB
Larry Dimmitt	Topeka	SWB
Alice Anstoss	Topeka	"
SUSAN FOX	TOPEKA	SWBT
Frank Caro, Jr.	Topeka	SWBT
Jim Shelley	TOPEKA	SWBT
Rachel Lipman	Topeka	KCC
Jack Alexander	Topeka	KCC
Eva Powers	"	MCI
HAROLD PITTS	"	AARP CCA
Rob Hodges	"	KS Telecom Assn.
Nelson Krueger	Lawrence	KINNET
Martha Jenkins	KCMO	Sprint
Charles Warner	Topeka	Kansas Inc.
R. J. ...	Topeka	SWBT
Ray Schen	TOPEKA	SELF
Pete WOODBURY	ELMIST	RETIRED
Rob Marshall	Lawrence	Mid-America
Ralph Skaggs	KCMO Topeka	KCATV
Doug ...	Topeka	SITA
Mike WARNER	Topeka	C.V.R.B.
Heather Gray	Lawrence	Sen. Karr
Roger Bales	Topeka	KCPR

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE:

[illegible]

PROPOSED SENATE CONCURRENT RESOLUTION NO. _____

By Senator Feleciano

A CONCURRENT RESOLUTION directing the development of a state strategic plan for telecommunications; requesting the participation of Kansas, Inc. and the state corporation commission.

WHEREAS, The telecommunications industry has undergone tremendous change in recent years; and

WHEREAS, New levels of competition exist or may soon exist in the industry which will fundamentally alter the economic conditions in which telecommunications public utilities operate; and

WHEREAS, Greater competition in telecommunications services demands consideration of relaxed regulation of such services; and

WHEREAS, There should be broad representation from end users, state agencies, the Legislature, local government and telecommunications service providers in formulating any future regulatory policy governing telecommunications given the wide array of affected parties; and

WHEREAS, Movement toward relaxed regulation of telecommunications services is desirable if it is accomplished in a systematic and logical manner based on accurate information, public analysis and debate; and

WHEREAS, Kansas, Inc. is structured to oversee state strategic planning and thus is an appropriate venue for facilitating the development of a statewide strategic plan for telecommunications: Now, therefore,

Be it resolved by the Senate of the State of Kansas, the House of Representatives concurring therein: That Kansas, Inc., through its telecommunications action planning committee shall develop a statewide strategic plan for telecommunications. Such

Commence
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Attachment 1-1

plan shall contain suggestions for future action by the legislature, the corporation commission and telecommunications service providers; however, the committee's function shall be advisory in nature.

The Kansas, Inc., board of directors may reconfigure the telecommunications action planning committee to include, but not be limited to, the following: Representatives of local telephone companies, interexchange carriers and cable companies. The board may also include representatives of the Board of Regents and its institutions, the State Corporation Commission, the Department of Education, the Department of Commerce and Housing, Department of Administration, a public library, a city, a school cluster, a local chamber of commerce, a medical center, a large company, a small company, a residential consumer and the private sector membership of Kansas, Inc. Additionally, the Kansas, Inc. board of directors shall appoint six legislators to the committee. The legislative members must consist of three Republicans and three Democrats. Three of the legislators must be members of the Senate and three must be members of the House of Representatives. Additionally, the board of directors should ensure that the action planning committee contains adequate representation from non-metropolitan counties; and

Be it further resolved: That legislative members shall receive compensation and mileage as authorized by the Legislative Coordinating Council; that nonlegislative members shall receive no remuneration, except, subject to appropriations, travel and other expenses as shall be allowed by the president of Kansas, Inc.; and

Be it further resolved: That the committee may commence formulation of the strategy July 1, 1994. 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 to the 1996 session of the Legislature. The committee report to the 1995 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 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; and

~~(e) development of a procedure for ensuring the quality of telecommunications services; and~~

(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.

~~Furthermore, the following issues should be given first priority by the committee and, to the extent possible, included in the 1995 interim report:~~

~~{a}--A--definition--of--"universal-service"--and--the--extent--to
which--it--has--been--achieved--in--every--region--of--the--state;~~

~~{b}--a--definition--of--criteria--for--provision--of--"basic
telephone--service"--and--the--availability--and--provision--of--such
service--in--a--competitive--environment;~~

~~{c}--a--definition--of--"lifeline--telephone--service"--and
specification--as--to--the--appropriate--means--of--funding--the
provision--of--such--service;~~

Be it further resolved: That subject to appropriations, Kansas, Inc. shall contract for the development of a report to identify present and anticipated trends in telecommunications technologies and services and their economic impact on the citizens and businesses of the state, including, but not limited to, low and moderate income households, small businesses and high technology businesses. This report shall address regional differences in economic impact and shall be presented to the 1995 session of the legislature; and

Be it further resolved: That Kansas, Inc. and the Kansas Legislative Research Department shall provide committee staff as needed. Furthermore, subject to appropriations, the private-sector chairman of Kansas, Inc., Board of Directors, after consultation with the Corporation Commission, may contract with a consultant for the duration of the development of the strategy. Such consultant would be authorized to provide technical assistance, frame policy issues and draft necessary committee reports. The consultant should work directly with the committee and such subcommittees as may be created; and

Be it further resolved: That the board of directors of Kansas, Inc. may appoint such subcommittees as may be necessary to examine in greater detail various issues raised in formulation of the strategic plan. The subcommittees should reflect a broad representation of public sector members, legislators and telecommunication service providers. However, at least one legislator must be assigned to each subcommittee; and

~~Be--it--further--resolved:--That-Corporation-Commission-staff members-serving-on-the-committee-should-abstain--from--voting--on issues-which-could-be-perceived-to-be-a-conflict-of-interest-in-a proceeding-before-the-commission;-and~~

Be it further resolved: That the Corporation Commission shall upon passage of this resolution open one or more generic dockets to investigate the level of competition for each regulated or flexibly regulated telecommunications service under its jurisdiction. In addition the commission should formulate procedures to:

(a) Periodically assess the level of competitiveness of such services and emerging services ~~and--develop---standards---for competitive-services;~~

~~(b)--relax--regulation--of--those--services--which-are-deemed competitive-pursuant-to-the-periodic--assessments--undertaken--in (a);--and~~ with the intent of encouraging development of effective competition for all telecommunications services, including the removal of existing barriers to entry;

(b) establish a classification system for telecommunications services based on the degree of competition faced by providers of the particular service;

(c) establish standards and procedures by which the rates, terms and conditions of telecommunications services are regulated in accordance with their classification as in clause (b) above;

(d) ensure that regulated services will not subsidize competitive or unregulated services;

(e) define universal service and determine the extent to which it has been achieved in every region of the state;

(f) define criteria for provision of "basic telephone service" and the availability and provision of such service in a competitive environment;

(g) development of a procedure for ensuring the quality of telecommunications services; and

(h) define "lifeline telephone service" and specification as

to the appropriate means of funding the provision of such service.

Such analysis need not be performed on telecommunications services previously examined in this manner. The commission shall report its findings to the Senate Commerce Committee, House Economic Development Committee, the Joint Committee on Computers and Telecommunications and the Telecommunications Action Planning Committee of Kansas, Inc. no later than ~~the end of the~~ March 1, 1995 session of the legislature; and

Be it further resolved: That based on findings of the Corporation Commission and the Telecommunications Action Planning Committee report, the Commission shall formulate a successor alternative regulation plan to take effect after March 1, 1997; and

Be it further resolved: That copies of this resolution be transmitted to the President of the Senate, the Speaker of the House of Representatives, the Governor and the Chairman of the State Corporation Commission.