

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 2, 2001

3:20 p.m.

MEMBERS PRESENT

Representative Lisa Murkowski, Chair
Representative Andrew Halcro, Vice Chair
Representative Kevin Meyer
Representative Pete Kott
Representative Norman Rokeberg
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SUBCOMMITTEE REPORT: AVIATION INSURANCE

HOUSE BILL NO. 186

"An Act relating to a municipal enhanced 911 surcharge on wireless telephones."

- HEARD AND HELD

HOUSE BILL NO. 152

"An Act relating to brewpub licenses."

- BILL HEARING POSTPONED TO 4/6/01

HOUSE BILL NO. 147

"An Act amending a definition of 'wages' for purposes of Title 36 of the Alaska Statutes to include payments for travel expenses and per diem."

- BILL HEARING POSTPONED TO 4/6/01

PREVIOUS ACTION

BILL: HB 186

SHORT TITLE: 911 SURCHARGE ON WIRELESS TELEPHONES

SPONSOR(S): REPRESENTATIVE(S) MEYER

Jrn-Date	Jrn-Page		Action
03/15/01	0609	(H)	READ THE FIRST TIME - REFERRALS
03/15/01	0609	(H)	CRA, L&C
03/22/01	0684	(H)	CRA RPT 4DP
03/22/01	0684	(H)	DP: SCALZI, MURKOWSKI, KERTTULA, MEYER
03/22/01	0684	(H)	FN1: ZERO(H.CRA)
03/22/01		(H)	CRA AT 8:00 AM CAPITOL 124
03/22/01		(H)	Moved Out of Committee
03/22/01		(H)	MINUTE(CRA)
04/02/01		(H)	L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

KEVIN HAND, Staff
to Representative Andrew Halcro
Alaska State Legislature
Capitol Building, Room 414
Juneau, Alaska 99801
POSITION STATEMENT: Presented the aviation subcommittee report
on behalf of Representative Andrew Halcro.

MARK JOHNSON, Chief
Section of Community Health and Emergency Medical Services
Department of Health and Social Services (DHSS)
P.O. Box 110616
Juneau, Alaska 99811-0616
POSITION STATEMENT: Testified on HB 186.

DANIEL YOUMANS
AT&T Wireless Services, Inc.
617 Eastlake Avenue East
Seattle, Washington 98109
POSITION STATEMENT: Testified on HB 186 in support of an
enhanced 911 surcharge.

TIM BIGGANE, Director
Emergency Operations
Fairbanks North Star Borough (FNSB)
P.O. Box 55274
North Pole, Alaska 99705
POSITION STATEMENT: Testified in support of HB 186.

TIM ROGERS, Legislative Program Coordinator
Municipality of Anchorage
P.O. Box 196650

Anchorage, Alaska 99519
POSITION STATEMENT: Testified on HB 186.

THERESA HILLHOUSE, Assistant Municipal Attorney
Civil Division
Municipality of Anchorage Department of Law
P.O. Box 196650
Anchorage, Alaska 99519
POSITION STATEMENT: Testified on HB 186.

BILL GIFFORD, Lieutenant
Anchorage Police Department (APD)
4501 South Bragaw
Anchorage, Alaska 99508
POSITION STATEMENT: Testified on HB 186.

STEVE O'CONNOR, Chair
Kenai Peninsula Borough 911 Committee
231 South Binkley
Soldotna, Alaska 99669
POSITION STATEMENT: Testified on HB 186.

ACTION NARRATIVE

TAPE 01-45, SIDE A
Number 0001

CHAIR MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Present at the call to order were Representatives Murkowski, Halcro, Meyer, Kott, Rokeberg, Crawford, and Hayes.

SUBCOMMITTEE REPORT: AVIATION INSURANCE

CHAIR MURKOWSKI announced that the committee would first hear the aviation insurance report from the subcommittee assigned by the House Labor and Commerce Standing Committee.

Number 0081

KEVIN HAND, Staff to Representative Andrew Halcro, Alaska State Legislature, reported that aviation insurance rates have doubled and even tripled in recent years. Alaska air carriers are feeling the pressure of increased rates, and those increases will likely put some air carriers out of business. The subcommittee met and discussed a number of options. Among the

most seriously considered options were insurance pooling and tort reform.

MR. HAND noted that crashes are the primary reason for increased rates in Alaska. One crash can cost insurance companies hundreds of millions of dollars and have an effect on every air carrier in the state.

Number 1551

MR. HAND noted that pilot inexperience is the primary contributor to air crashes in Alaska. Because of the nationwide shortage of pilots, many young, inexperienced pilots are eager to take Bush-piloting jobs to gain enough flight hours for employment with the larger airlines. Therefore, Alaska's small air carriers typically employ younger, less experienced pilots, flying in more challenging environments and locales. These same pilots may also take unnecessary risks by flying in marginal weather to gain those flight hours. But with the unforgiving weather conditions in Alaska, even the most experienced pilots/operators have accidents. Mr. Hand stated that air carriers need to foster a safety culture to reduce accidents and thus insurance rates.

MR. HAND stated that insurance pooling is one way to alleviate some of the pressures on air carriers. Opponents argue that there is no reason for [state] government involvement. But, he noted, a case could be made that commercial aviation is the only link to hospitals and other areas of the state's off-the-road system. Therefore, government should get involved.

Number 2080

MR. HAND noted that many insurance companies argue that tort reform is the only real solution to decreased insurance rates. In this litigious society, with jury awards on the rise, this would create a tangible limit [to the size of awards].

REPRESENTATIVE HALCRO remarked that the state needs to be aware of this serious issue. Some small, responsible air carriers may have to close their businesses because of the exorbitant insurance rates. Air transportation is Alaska's life link, and Alaska is the only place where single air carriers are the link to hospitals and other services. He suggested that if it weren't for the small air carriers, the state would have to provide air service in and out of rural communities.

REPRESENTATIVE HALCRO stated that he would continue, over the next months, looking into the different options and will consider legislation addressing tort reform and insurance pooling for air carriers.

TAPE 01-45, SIDE B
Number 0411

REPRESENTATIVE MURKOWSKI recommended that the committee consider the options brought forth by the subcommittee. She acknowledged that there are no easy answers, but recognized that the state has an obligation to look into this issue carefully.

Number 0557

CHAIR MURKOWSKI called an at-ease to transition to the House Labor and Commerce Standing Committee's scheduled bills. [End of Tape 01-45, Side B.]

HB 186-911 SURCHARGE ON WIRELESS TELEPHONES

TAPE 01-46, SIDE A
Number 0050

CHAIR MURKOWSKI announced that the committee would hear HOUSE BILL NO. 186, "An Act relating to a municipal enhanced 911 surcharge on wireless telephones."

Number 0136

REPRESENTATIVE MEYER, speaking as the sponsor of HB 186, explained that the enhanced 911 system provides the location and telephone number of the person calling 911; this is useful in case the person calling isn't able to articulate his or her location, for whatever reason. It provides the technology, equipment, and staff necessary for fast response, and automatically routes the 911 call to either the police or the fire department. Currently, wireless-telephone users make up 25 percent of the total 911 volume. Wireless phones currently don't have the enhanced 911 capabilities, so any procedures in place now for the landline [phones] must be handled differently for wireless calls; hence it is much less efficient at a time when efficiency could be a matter of life or death.

REPRESENTATIVE MEYER said currently with landline phones in Anchorage, Anchorage can impose a 911 surcharge of 50 cents; all other communities with the enhanced 911 system can impose up to

75 cents. He said he thought the committee would hear today from some of the communities throughout the state. He added that the surcharge currently doesn't include the wireless or cell phones. Charging the surcharge on landline [phones] was made possible by legislation passed in 1994 by Senator Drue Pearce, he said, and HB 186 amends this, allowing the municipalities with the enhanced 911 system service to impose the same surcharge on wireless phones as for landlined phones, if desired.

Number 0241

REPRESENTATIVE MEYER stated that this enhanced 911 surcharge is not unique to Alaska; many cities in the Lower 48 have charges that are significantly higher than what [Alaska] has. He said items contained in the committee file include: the sponsor statement; a letter from the deputy chief of police in Anchorage; a letter of support from George Wuerch, Mayor, Municipality of Anchorage; a sectional analysis from Tamara Cook, Director, Legislative Legal and Research Services, Legislative Affairs Agency, who worked with attorneys in and outside the industry within the Municipality of Anchorage; a letter of support from the Anchorage Municipal League of Cities; and letters of conditional support from the major carriers including AT&T and Alaska Communications Systems (ACS). He indicated there was verbal support from GCI as well.

REPRESENTATIVE HALCRO pointed out a suggestion made by AT&T in a letter dated March 22, 2001, to have a uniform level of charge, 50 cents, for all municipalities. He said this makes sense because with a lot of wireless companies, a person can take his or her phone and roam all over the state. He asked what the rationale was for the difference between municipalities with fewer than 100,000 people and those with more than 100,000.

REPRESENTATIVE MEYER responded that in the smaller communities, not as many people are paying, so [companies] wanted the option to go up to 75 cents. Many times the equipment, technology, and staffing are just as expensive in Bethel, for example, as they are in Anchorage, but there aren't as many people paying in; so [companies] want to have the flexibility to charge a little more if necessary. When asked about the process of how the money would get from the consumer to the municipality, Representative Meyer replied that the committee would hear more about the details [from the companies]; however, his understanding was that the three major carriers would collect the money via the monthly bill, would keep up to 1 percent for administrative costs, and

then would turn over the remainder to the respective municipalities.

REPRESENTATIVE ROKEBERG asked how the resellers account for it because there are a lot of resellers in the wireless business.

REPRESENTATIVE MEYER deferred the question to the testifiers, but he asked for an example.

REPRESENTATIVE ROKEBERG said he has a cell phone from a reseller that buys time and space in bulk amounts and then sells it at a discount in the marketplace.

REPRESENTATIVE MEYER said there could only be one charge; if the billing address was in Anchorage, for example, then the person would pay the fee in Anchorage, and if in Denver, then the person would pay whatever the surcharge is in Denver. And he clarified that if a person had both a landline and a wireless phone, the surcharge would have to be paid for both of them if the phone numbers were different.

Number 0617

MARK JOHNSON, Chief, Section of Community Health and Emergency Medical Services, Department of Health and Social Services (DHSS), said he would speak on behalf of the emergency medical providers who [receive calls] sometimes and don't know where they are coming from, which was the reason for putting in the enhanced 911 system for the wire-line telephone system a few years ago. That service provides [phone] number identification of where the call is coming from as well as the location. There are times when people don't know where they are, he emphasized.

MR. JOHNSON explained that in busier areas, [911 operators] get a lot of calls at the same time, which means that they need more capacity to respond to those because many people will see an occurrence, for example, and call in at the same time. This is good service and does save lives. Some states are showing up to 40 percent of calls coming from wireless communications; it is a growing problem and this is a good solution.

Number 0729

REPRESENTATIVE HALCRO asked how many communities have the enhanced 911 system in place.

MR. JOHNSON replied that it is more or less the larger communities in the state, but [the section] would like to see it statewide at some point in time. Regarding a public safety answering point, he said most now have the 911 enhanced service; however, there are communities that have a remote answering [service] whereby the trooper, for example, will answer on behalf of the community someplace else, and some of those aren't covered at the moment. He said he would get the list for the committee. When asked if the larger communities [that have the enhanced service] include Anchorage, Fairbanks, Juneau, Kenai, and Palmer, Mr. Johnson responded that it is even down to communities of a few thousand, although he would have to look at that list again.

REPRESENTATIVE KOTT asked Mr. Johnson if he's seen an enhanced system.

MR. JOHNSON replied affirmatively.

REPRESENTATIVE KOTT asked if a Global Positioning System (GPS) location would be received with the cellular system.

MR. JOHNSON replied affirmatively. He said the Federal Communication Commission (FCC) has been working on this issue with the industry for a number of years. A couple of different technology and telecommunication experts may be online to testify, he said. One of the proposed solutions was a GPS solution, he explained, and in some places a terrestrial system can be used to triangulate, but there is a mandate now from the FCC that the location identification be implemented by the wireless industry.

Number 0865

REPRESENTATIVE ROKEBERG pointed out that in the letter from ACS it says that this technology isn't even available right now. He asked if that is correct.

MR. JOHNSON referred to the letter from the FCC and said there are technological solutions to this problem. A number of places across the country are doing what [Alaska] is contemplating now. He said he believes that the technology is available, but not fully implemented.

REPRESENTATIVE HALCRO asked for clarification on the letter from ACS. He said when he had previously asked about the number of communities that have the enhanced 911 system, Mr. Johnson

responded that there were quite a few; however, the ACS letter says the "currently unavailable technology."

MR. JOHNSON replied that what is currently available in Alaska is for the wire-line telephones from businesses and homes. And when asked if enhanced 911 [service] for cell phones is in place anywhere in the state, Mr. Johnson responded in the negative.

Number 0962

REPRESENTATIVE KOTT said he understood that the technology is not available yet either.

DANIEL YOUMANS, AT&T Wireless Services, Inc., via teleconference, said AT&T is a big supporter of 911 [services]. The combination of cellular phones and the 911 network has created a new and vital communication system for customers. [AT&T] knows from the thousands of calls made to 911 from cellular phones every day in the United States that this has become a valuable service. Thus AT&T supports a reasonable and equitable surcharge on customers to defer the cost of providing 911 services.

MR. YOUMANS said in terms of this legislation, [AT&T] supports a charge to customers of 50 cents a month maximum, which is reasonable given the workload that wireless calls are creating for 911 operators. [AT&T] would like the surcharge to be equitable for all customers, which is why the 50-cent level should apply to all municipalities. [AT&T] understands that this would be different for landline customers where the smaller municipalities pay a surcharge of up to 75 cents; however, the technology and service are very different since wireless phones are mobile and can be used in any municipality to call 911. Therefore, [AT&T] thinks all wireless customers should pay the same amount.

Number 1185

MR. YOUMANS, speaking about cost recovery, said this would only apply when municipalities are in a position to offer new enhanced 911 services for wireless phones. And it has been noted that those services are not available yet, but someday 911 operators will be able to know the [phone] number of the wireless caller, the cell site connecting the wireless call, and, eventually, the actual location of the caller. Since these new technologies benefit the public at large, [AT&T] thinks wireless carriers should have a mechanism for recovering costs.

The bill says that the cost recovery will be allowed as specified by the FCC, and he pointed out that the legislation cites the FCC order on the issue.

MR. YOUMANS said in terms of actual technology solutions, especially the locator technology, [AT&T] is looking at those that would be handset-based, such as a small chip that would go into a wireless handset and the person could be located using a GPS satellite system. There are also network-based-systems in which a location can be triangulated. He said it is really up to the wireless carrier working closely with the 911 operators to come together on which technology solutions would work best.

Number 1221

REPRESENTATIVE HALCRO asked: If the technology isn't currently available, why should people be charged now?

MR. YOUMANS said since wireless phone users are creating additional work for 911 operators, there should be some revenues received to help defer some of those costs. And when [AT&T] is ready to deploy these new services, it normally works with the 911 operators and looks at the revenue available to them to see if that would actually cover the amount needed to implement these new technologies, which would depend on what level of surcharge is available. In some cases, he said, that surcharge may cover the cost of these new technologies, or [the industry] may decide to come back to the legislature and ask for an additional surcharge; however, "we" will have to wait and see what those costs are going to be before doing that. For the most basic technology, the ability to get [a person's] phone number on the 911 screen as well as the cell site of origination, [AT&T] has estimated that it costs about 11.8 cents per customer, per month.

MR. YOUMANS said other companies may have a different charge, but that is what it would be for AT&T wireless. And when asked how transfer of the payments would work, Mr. Youmans replied that [the company] would collect the money from the customer, and the customer would get a line-item bill. [The surcharge] comes to [the company] and either it is remitted to the state - which then remits it to the municipalities, as is done in some states - or [the company] remits it directly back to the municipalities as a direct pass-through of those funds. And then it is up to the 911 operators in terms of how they use those funds; in terms of ensuring that [the money] is used for 911 services, he said is a question best asked of them.

REPRESENTATIVE HALCRO asked: Given AT&T's existing customer base, and based on 50 cents per month, what type of revenue would this generate from your subscribers?

Number 1401

MR. YOUMANS replied that it would be based on the number of subscribers, and, for proprietary reasons, [AT&T] doesn't give out the specific number by state; however, industrywide in Alaska there are over 200,000 wireless customers. So, he said, the math could be figured from that information.

REPRESENTATIVE KOTT said in the bill under the landline [phone service], he thought it had to be remitted to the municipalities within 60 days, and there is an administrative fee, which is absorbed or picked up by the hardware companies, of a maximum of \$150 or up to that amount. Representative Kott asked Mr. Youmans about the date at which this provision is to be incorporated, and when the technology would be available.

MR. YOUMANS explained that the FCC has said that the wireless carriers are allowed to recover costs if a cost recovery mechanism is put into state law. What this means, for example, is if [the legislature] approved a surcharge, [AT&T] would be able to come back and recover the cost of implementing these new technologies. He said [the legislature] wouldn't be required to reimburse [AT&T] for its costs; that is not a mandate from the FCC, but [the FCC] is saying that it is allowed. However, it is something [AT&T] would advocate for because this is a public service whereby the general public benefits, so it is only fair that costs are reimbursed.

Number 1527

MR. YOUMANS explained that the [FCC] mandate says [carriers] are already required to provide phase 1 services for enhanced 911 that include providing the call-back number and the cell site from which that call originated; however, [carriers] don't have to provide that unless the 911 operator requires it, and obviously [operators] need to be capable of receiving that information before it can be provided for them. [AT&T] is providing that right now in a number of states around the country. [Carriers] were required about a year ago to provide that technological capability, and it is done when the 911 operators request it. [Carriers] are not required to provide the phase 2 services, the locator services, until October of

this year. At that point, [carriers] will work with the 911 operators on the technological solutions so their systems match and everything works as it should.

MR. YOUMANS said there are also some rollout dates depending on whether there is a handset solution or a network solution. In October of this year, [carriers] will be required to begin rolling out those services if requested. [AT&T] is very close, he explained, in terms of the locator technology, although [the company] has not announced what it is yet, and other carriers haven't either, for the most part.

Number 1614

CHAIR MURKOWSKI sought verification of her understanding that no community in Alaska is technologically capable of receiving phase 1, and certainly not phase 2 at this point.

MR. YOUMANS answered, "As far as I know, and they certainly have not requested [it] of us."

REPRESENTATIVE KOTT asked Mr. Youmans if he was referring to those services that would be able to pinpoint someone's location.

MR. YOUMANS replied affirmatively.

REPRESENTATIVE KOTT asked how, if he has an OnStar system in his car, someone in Detroit could know if his airbag inflates, and know where he is.

MR. YOUMANS replied that a GPS system is probably being used, which works by satellite. And when asked whether, if that service were made available, AT&T would have to recall all of its telephones to be retrofitted with a chip, he said if [AT&T] chose that particular solution, then a chip or device within the phone would have to be changed. There are a number of different ways of doing that, he said; one way is to provide it in a battery, so a person wouldn't have to change the phone, just the battery. He pointed out that people are changing phones quite often these days because of the advancements, so most people's phones don't last longer than a year anyway. He said [AT&T] is looking for a low-cost way of providing these technologies for customers.

Number 1711

REPRESENTATIVE KOTT asked if [AT&T} offers the prepaid cellular disposable phones.

MR. YOUMANS replied affirmatively. And when asked how [a carrier] would go about collecting a fee, he replied that a surcharge couldn't be collected, since [the carrier] doesn't bill that customer.

REPRESENTATIVE CRAWFORD said he is interested in the \$1.2 million that could be raised [through this legislation]. Will there be any surpluses in this system, he asked, and would there be the possibility of lowering people's rates after that influx?

Number 1777

MR. YOUMANS remarked that [AT&T] wouldn't object to a lower surcharge on customers, but [the company] has taken the position that it would support up to 50 cents; however, if there were a proposal to lower that surcharge, [AT&T] wouldn't oppose it. In terms of whether there would be any surpluses or not, he said that would be a question best asked of the 911 operators, taking into account how they use funds.

REPRESENTATIVE CRAWFORD said he understands that different municipalities charge different rates, from 35 up to 75 cents. He asked for a reason for the disparity.

MR. YOUMANS said he would imagine that since it is up to each municipality to decide on a surcharge, it becomes whatever is felt to be appropriate to cover costs.

REPRESENTATIVE MEYER said he understood that the money could only be used for the 911 system; if more is raised, then [carriers] would lower the surcharge rate for the next year. And when asked if there would be accounting of this, he responded that he thought [carriers] are required to do an annual audit.

REPRESENTATIVE ROKEBERG commented that it seems ironic that most of the costs are going to fall on the service providers. He asked Mr. Youmans if he believes his firm would deduct or have the right under this bill to deduct the cost of implementation, and would then send the balance to the local area.

Number 1890

MR. YOUMANS said [AT&T] would only do that upon moving to the enhanced 911 services; a mechanism is needed for that in legislation. What this legislation does, he said, is express legislative intent, which says that when the enhanced services "roll out," [carriers] would be allowed to recover costs. What would probably be seen, he said, would be additional legislation that actually puts that into effect through an added surcharge to cover those costs. There could be a determination made that the 50 cents covers costs as well as those of the 911 operators, and in that case, [carriers] would make arrangements to recover costs through each municipality.

REPRESENTATIVE ROKEBERG asked if the phase 2 locator requirement from the FCC is what is considered the enhanced 911.

MR. YOUMANS responded that it would be part of it, and the other part would be the caller phone number and the cell site of origination. And when asked if there is a phase 3, he responded in the negative.

REPRESENTATIVE ROKEBERG said if it is going into effect in October of this year, then legislation is needed right now to do it.

MR. YOUMANS said before that happens, the 911 operators would have to be technologically capable of receiving that information, and he imagined that most of them wouldn't be ready by October. He said he wouldn't support a surcharge at this point for technology that isn't ready yet.

REPRESENTATIVE ROKEBERG agreed, but said [the legislature] is trying to pinpoint when that is because legislators don't have the luxury of coming back until next January.

MR. YOUMANS commented that the 911 operators could be asked, although he thought the [legislature] would have time.

Number 1998

CHAIR MURKOWSKI said in looking at the legislative findings and information on cost recovery, "we will require the tracking as well [as] allow for cost recovery." Isn't that really a separate issue from the surcharge that is in place now for the landlines, she asked, and [the legislature] is essentially asking the wireless [users] to [contribute to that service]?

MR. YOUMANS responded affirmatively and said he thought the intent of the existing surcharge is to pay for the workload that is being created right now for the 911 operators. The only way that the existing 50 cents may apply to the new services is if when rolling out these new services, it is determined that the 50 cents will cover those new technologies, both on behalf of the 911 operators and the carriers, and then cost recovery would be sought from the existing 50 cents at that point.

Number 2049

CHAIR MURKOWSKI said it seems that there are two different issues here. There is the existing surcharge, with some flexibility on the landlines regarding how much is assessed on that surcharge; wireless is saying it will sign on to a surcharge providing that it is just 50 cents. She said she isn't following Mr. Youmans' point in stating that the wireless [phones] actually contribute to the additional work because they are mobile, so if one is going to be a cost user, then one should be a cost payer. She said she isn't certain why one shouldn't be subjected to the same cost as a municipality that is charging 65 cents, and why it should be limited to just 50 cents.

MR. YOUMANS used an example. He said if there is a wireless customer who lives in Anchorage, but is in Fairbanks and witnesses a car accident and uses the phone to call an aid unit, that wireless call goes to a 911 operator in Fairbanks; the same is true of a Fairbanks customer who travels to Anchorage and uses it there. The workload is spread around the whole state by a variety of wireless users; however, under the current structure, the Anchorage wireless user would pay 50 cents, whereas the Fairbanks user could pay 75 cents, even though both are taxing the 911 system wherever they go in the state.

Number 2153

CHAIR MURKOWSKI said she disagrees philosophically that wireless should somehow be treated differently from landline [service]. She said she appreciates the fact that a mobile instrument is being talking about, but she doesn't understand why there should be an exemption from that, because if a person didn't have that wireless phone moving around, there wouldn't be the additional usage on the system.

REPRESENTATIVE MEYER said this issue was raised in the House Community and Regional Affairs Standing Committee as an

amendment to make it a flat 50 cents; however, it failed because the smaller cities and communities wanted that flexibility. [The members] wanted to keep it the same as for landlines, which is up to 75 cents for a population of under 100,000; and they wanted to have flexibility in the smaller areas where there is less of a population paying for it.

Number 2207

TIM BIGGANE, Director, Emergency Operations, Fairbanks North Star Borough (FNSB), via teleconference, stated that the FNSB is 100 percent in support of the bill. Part of his department's responsibility is to maintain and operate the enhanced 911 system in five different Public Safety Answering Points (PSAPs) or dispatch centers. The borough in 1997 began collecting 75 cents [per month, per customer] when the first legislation was passed, and it was changed to 65 cents once the calculation and bids came in. The initial cost for implementation of the landline phone system was \$1.3 million. With the 65 cents currently charged on the system, [FNSB] built in a 10-year replacement system based on technology, although the [FNSB] was probably off by three years and will have to replace them in year seven, he said.

MR. BIGGANE said he had met with ACS, and one of the things being looked at in Fairbanks is the consolidated dispatch center where all of the units will be brought together to incorporate the phase 2-technology. He said he was given a bid price from one vendor of \$575,000; so, he said, there are some [reasons] why this surcharge is needed early.

MR. BIGGANE said the surcharge currently goes for maintenance of the equipment; the data upkeep with the landline phone company; and funding of the long-term replacement, the capital program which this bill will have to incorporate if this is going to last more than a couple of years.

Number 2293

MR. BIGGANE explained that cell phones are currently 35 percent of the call volume at the dispatch centers. This bill allows for cell phone technology; phase 1 is already implemented in Fairbanks through ACS, and the [phone] number is already received from the borough's cell phones, which will be written in a letter to AT&T. The FCC phase-2 requirement, according to what he has been reading, has an October deadline for the phone company to have begun enacting a system. In [Fairbanks], he

explained, there is talk of installing cell towers, and the bidding process has begun to see if [FNSB] is going to [contribute] technology. Until HB 186 came up, there wouldn't have been a system to pay for it. During the last [legislation], [telephone companies] got the 50-cent flat charge; [AT&T] is against that and would like to see it adjusted by the local municipality that has to provide the service in the long run. The cost recovery needs to be identified, and the current cost was adjusted down to 65 cents. If [FNSB] had a surplus, then it could be adjusted up or down.

MR. BIGGANE said [FNSB] did make an impact in 2000 when \$200,000 had to be spent to upgrade technology purchased in 1996 for year [2000 computer-related changes] Y2K. There was a reason to building this fund for capital replacement, and [FNSB] was able to absorb that cost. The GPS technology in phase 2 will allow [a person's location] to be pinpointed. And he explained that the docket out on the FCC's web site is good for explaining what this is all about, and how the difference baseline versus (indisc.) will have to come into compliance. He asked for the committee's support of the bill.

Number 2380

CHAIR MURKOWSKI asked: Are we getting out in front of where we need to be if we don't know what these cost recovery charges are? If the respective municipalities implement these charges, and later it is [discovered] that the costs are in excess of the 50 cents, then [the issue] will have to come up again and legislation will have to be implemented.

MR. BIGGANE said he doesn't believe so. The initial cost so far on the FNSB is going to be \$550,000; there are no capital programs going along with this, so the earlier this is in place, [the earlier] the fund can be built. Wireless [phone users] pay nothing right now towards 911, and the landlines telephones are picking up the phase 1 requirement because it is the same type of technology.

MR. BIGGANE expressed that the phone companies will have to start selling phones with these capabilities starting October 1. The technology will be phased in over a five-year cycle whereby 25 percent of new handsets activated in the industry will be automatic-location-identifier-capable (ALI-capable) by December 31, 2001; 50 percent by June 30, 2002; and 95 percent by December 31, 2005.

Number 2455

MR. BIGGANE exclaimed that it would take a couple of years to phase in because phones won't be replaced; it will take a few years to phase in throughout the whole market. He said he believed there were about 20,000 to 25,000 phones in Fairbanks.

REPRESENTATIVE ROKEBERG asked if FNSB received any Y2K capital money for the 911 upgrade.

MR. BIGGANE replied that Fairbanks didn't receive any Y2K upgrade money; the replacement was taken out of the capital fund, and [FNSB] went after the manufacturer and received about 60 percent.

TAPE 01-46, SIDE B

MR. BIGGANE explained that [FNSB] has been collecting the surcharge since 1996, and \$650,000 is currently projected at the end of the fiscal year end. When asked to verify that the Y2K upgrade hadn't been budgeted because it was assumed that it would be taken care of by the vendor, Mr. Biggane replied that it was part of the requirement of the bid that didn't come through. Fairbanks North Star Borough had to fix it before Y2K came, and was successful, but only 65 percent of the cost was collected.

Number 2436

TIM ROGERS, Legislative Program Coordinator, Municipality of Anchorage (MOA), via teleconference, said Lieutenant Bill Gifford and Keith with the Anchorage Police Department, and Theresa Hillhouse with the Municipal Attorneys' office, were online. He stated that there are two issues: first, roughly 25 percent of [MOA's] call volume comes from cellular phones, although cell phones are not contributing anything towards the 911 system; and second, [MOA] needs to "ramp up" for phase 2, which will provide 911 [service] for wireless systems to be available by October.

MR. ROGERS, regarding the question of cost and the municipal budget for 911, replied that landlines currently get around \$1 million a year in 911 surcharges, and the total cost of operating the 911 system is \$2.4 million a year, not including capital costs. Two bond issues will be before the voters, and there is approximately \$1.5 million per system in upgrades

[needed] for the 911 system. The Municipality of Anchorage is a long way from making any surplus funds from the 911 surcharge.

Number 2344

REPRESENTATIVE MEYER asked about [cell phone time and space] resellers.

MR. ROGERS replied that he understood that [resellers] would be responsible for the surcharge as well.

REPRESENTATIVE ROKEBERG said he is concerned about having the wireless provider receiving some reimbursement, rather than the municipality or the 911 provider, in a relationship. He asked how that would happen if there was a cost recovery provision in legislation.

Number 2288

THERESA HILLHOUSE, Assistant Municipal Attorney, Civil Division, Municipality of Anchorage Department of Law, via teleconference, said the reason the cost recovery provision was put in the initial section of the bill was to give notice to the legislature that a new 911 enhanced system will be coming for wireless phones. It will be more expensive, and as part of that expense, she explained, the municipalities will be reimbursing the telephone companies for assistance in being able to identify the phone numbers and the locations of the wireless callers. The current bill deals with recovery to the municipalities for the additional calls to the 911 system by wireless, and to start equipping the 911 systems to have the technologies so interfacing can happen with the local telephone companies to be up to speed with phase 1 and phase 2.

REPRESENTATIVE ROKEBERG asked Mr. Rogers if the \$2.4 million that he had mentioned was for 911 operations or for the enhanced 911 [system], and whether there is a distinction.

MR. ROGERS replied that they are one and the same. The total cost for operating the 911 system is \$2.4 million. He clarified that landline phones are all enhanced. And when asked to verify that the \$2.4 million is for all 911 services, he responded affirmatively and added that it is for dispatch only. When asked if the original 911 surcharge was for enhanced services, or just for 911, Mr. Rogers responded that the original surcharge was for the enhanced 911 system, and he confirmed that it provides [site location information].

REPRESENTATIVE ROKEBERG stated that [MOA] is trying to cover 40 percent of the "nut" with the surcharge.

MR. ROGERS affirmed that and said it is at the current level, which doesn't include equipment acquisition costs.

Number 2170

CHAIR MURKOWSKI returned to the issue of cost recovery. She said the gentleman from Fairbanks indicated that costs haven't been identified. Mr. Youmans from AT&T, she said, indicated that [AT&T's] cost was 11.8 cents for the enhanced service. She said she sees Section 1 of the bill as being very separate from this surcharge, whether at 50 cents or 75 cents. In one section, [the bill] says that it is known that there are going to be some additional costs associated with this service, and cost recovery will be allowed for, without really having a handle on what is being signed off on. But the decision is from some general findings, she pointed out, and then the rest of the legislation deals with the specific surcharges. She added: saying that wireless customer should be assessed 50 cents now for every phone number, and next year or the following year - when phase 1 and phase 2 systems are online - the surcharge could be 50 cents plus whatever it is that the customer's provider has now identified to be the cost associated with this tracking service?

Number 2088

MR. YOUNMANS explained that the 11.8 cents is the cost for phase 1, and AT&T hasn't assessed what the costs will be for phase 2. He clarified that phase 1 includes the call-back number and the cell site of origination. He said [AT&T] wouldn't be able to recoup costs for customers beyond what the surcharge allows by the state. The maximum surcharge allowed would be 50 cents in this bill for the larger municipalities, and 75 cents for the smaller ones. The only way to recoup costs is out of that existing surcharge; customers wouldn't be able to be charged beyond that.

CHAIR MURKOWSKI said the legislative findings and Section 1 don't allow one to come back to the legislature and say that the intent by these legislative findings is to allow recovery of associated costs, so in addition to the 50 cents, there is a [request] for whatever the identified costs are.

MR. ROGERS stated that this couldn't be done, and said the cost recovery would come from the existing surcharge.

Number 2020

MS. HILLHOUSE verified that the intent language is separate language to clarify the two types of enhanced 911 systems that may be used by wireless systems and that will be [available] in the future. Any cost recovery that is given to the telephone companies, she explained, is as required by the FCC ruling in this case. "We" will be working with the telephone companies and all the local 911 [operators] to figure out what their costs are. The enhanced 911 centers also have their own costs to equip their systems to interface with the telephone company. And when asked if she would agree that cost recovery would be limited to this 50-cent surcharge, she responded that [AT&T] gets an administrative fee from that 50-cent surcharge.

REPRESENTATIVE ROKEBERG said he wants to make sure that there is an expectation of recoupment for capital costs for the provider. He said [the committee] has the 11.8-cent figure from Mr. Youmans for phase 1, but then there is [the possibility] of future legislation. And ACS brought up the issue that if there is short payment on a monthly bill, how does one allocate between the surcharge and the balance of the bill?

REPRESENTATIVE MEYER responded that [it is dealt] with the same as with landline [services].

Number 1962

REPRESENTATIVE ROKEBERG expressed concern about the issue of cost recovery and the expectations.

MR. YOUMANS explained that in other states, when they have gotten to the point where the 911 operators are ready to request the phase-1 service, they sit down with the wireless carriers and determine what the costs are. If those are covered by the existing surcharge, then they are fine, but if not, then they usually come together to the legislature to ask for an additional surcharge in order to cover costs; the same would be true of phase 2, he said. [Wireless carriers] would sit down and work together with the 911 operators to determine what those costs are, to ensure that they are fair and reasonable, and if costs aren't covered by the existing surcharge, then an increase would be requested.

REPRESENTATIVE ROKEBERG asked Mr. Youmans if AT&T would expect capital cost recovery.

MR. YOUMANS responded affirmatively. He said [AT&T] needs to be able to recover the cost of providing the service. And when asked about the 11.8 cents also being recouped, Mr. Youmans replied that the 11.8 cents would provide adequate remuneration for phase 1, which is what [AT&T] is charging other municipalities around the country for cost recovery.

REPRESENTATIVE ROKEBERG asked someone to direct him to the location in the bill where it states that it is currently allowable, other than in Section 5, which allows [a telephone company] an administrative fee. He asked if there is recoupment [language] under current statute.

Number 1810

MR. BIGGANE surmised that the phone companies would be collecting their capital invested through the annual cost that is charged to each one of the municipalities. There is an occurring debt of maintenance cost, system maintenance cost, and trunk-line cost that is paid in to maintain operation (indisc.). He said he believed that is when "they" amortize out their capital.

UNIDENTIFIED SPEAKER concurred.

MR. BIGGANE pointed out that the 50 or 75 cents is to operate the system, but also is used to pay the bill for the operation.

CHAIR MURKOWSKI asked Mr. Youmans about her concerns regarding the 50 versus the 75 cents. She asked: Recognizing that cost recovery will be sought for phase 1, why wouldn't one want a surcharge as high as the municipalities would be able to go, to ensure that the cost recovery would come within that surcharge, and that one wouldn't have to come back to the legislature for an increase in the surcharge?

Number 1730

MR. YOUMANS replied that [AT&T] is trying to keep the charges as low as possible, for as long as possible for customers. Given what this surcharge will initially be used for, which is the basic 911 operations, [AT&T] thinks 50 cents is adequate. He said he thought there was a lot of work ahead to determine what those costs are for the future technologies, and the work should

be done first before adding surcharges to customers. And upon being asked when he would anticipate coming back before the legislature seeking associated costs, Mr. Youmans stated that it would depend on the discussions with the 911 operators and how close they are to being able to request those services.

CHAIR MURKOWSKI said [the committee] heard from Fairbanks this afternoon that phase 1 is implemented and that [FNSB] is going to be making notification that it is ready to go, and is now saving up for phase 2. It sounds as if [FNSB] is pretty close, she said, and Anchorage might be pretty close too.

Number 1679

BILL GIFFORD, Lieutenant, Anchorage Police Department (APD), via teleconference, stated that [APD] is getting close and anticipates sending out letters soon. [The APD] is also working with the computer-aided dispatch center, the provider of the system, to find out what is needed by the October deadline of this year. He didn't know if [APD] could make it by that time, but said it is critical. For example, he said, a year ago a woman was being raped. She was able to hit 911 on her phone; she was able to give some description as to where she was and [the APD] was able to get to her and intercept that rape in progress. Had this system been in place then, he exclaimed, [APD] probably would have cut that time down by 10 or 15 minutes. In that kind of situation, he emphasized, 10 or 15 minutes is a lot of time.

REPRESENTATIVE ROKEBERG said if the bill moves out of this committee with an expectation of future adjustments, he doesn't think one could come back next year and have another [discussion]; therefore, [the committee] needs to make sure that this is adequate. He asked if there is anything in the bill or in existing law that allows for cost [recuperation].

Number 1600

CHAIR MURKOWSKI asked the sponsor about Section 1 of the bill.

REPRESENTATIVE MEYER deferred the question to Theresa Hillhouse, municipal attorney.

MS. HILLHOUSE said the intent language was put in because Mr. Youmans wanted to make sure that there was a clear [understanding] of the difference between the existing 911 system that wireless [customers] would be using and a future 911

system that is being worked towards for implementation. Mr. Youmans also requested notice that, in this enhanced 911 system where [the phone companies] had helped [the municipalities] get both the phone number and the location, that there was recognition and some costs recovery by the phone companies. "We" wanted to give [the legislature] a "heads up" as to where it is at this point, as well as where it is going in the future.

Number 1538

CHAIR MURKOWSKI said there is concern about signing off on something that needs to be revisited as early as next year. She said there is an indefinite and uncertain expense out there that will be coming online soon. The surcharge aspect of it needs to be addressed right now, she exclaimed; it's just the cost recovery component that seems to be concerning everyone.

MS. HILLHOUSE remarked that Chair Murkowski is correct in that "we" would have liked to have brought a bill to the legislature that could have incorporated phase 1 and phase 2, but the capabilities aren't available right now to judge what that cost will be, which is why this proposal was brought forward. With the monies from the surcharge, which will go towards (indisc.), this is bringing the 911 system up to speed so it can interface. The numbers weren't available to be able to give [the committee] the information and make a more accurate assessment of what will happen in phase 1 and phase 2.

Number 1464

MR. YOUMANS stated that when the time comes to offer these new technologies, [AT&T] would like to be able to seek cost recovery, which is allowed by the FCC order. The language in the bill just says that the State of Alaska will allow the new technologies to [progress], and by allowing that, [telephone companies] certainly have [the legislature's] support for this surcharge.

REPRESENTATIVE ROKEBERG asked if cost recovery is in the bill.

CHAIR MURKOWSKI answered in the negative, other than in the legislative findings.

MS. HILLHOUSE stated that the cost recovery talked about in the introductory section is the cost recovery for phase 1 and phase 2; Anchorage is going through phase 1 right now, she said, and is not up to that issue yet.

Number 1387

REPRESENTATIVE ROKEBERG made a recommendation that the bill be amended to include a cost recovery provision, and allow that [portion of the bill] to move forward. He said he seriously doubted much headway could be made in adjusting the surcharge numbers at this juncture, but said there should be money that provides for it; there will be few "bites at the apple" because a bill isn't done every year to adjust things to keep everyone happy.

STEVE O'CONNOR, Chair, Kenai Peninsula Borough 911 Committee, via teleconference, stated that his committee was appointed by the borough and represents a cross-section of the public safety users within the borough. He said [the borough's] cell phone volume has gone from 5 percent in the last five years to around 50 percent. He reiterated that no [caller] location information is provided currently when a cell phone is used. Many people using cell phones don't know where they are, and they are unable to give clear directions, so there are significant response delays by public safety agencies.

MR. O'CONNOR stated that the [Kenai Peninsula Borough 911 Committee] has been in discussions with ACS regarding implementing phase 1 and phase 2. [ACS] has given his committee a cost proposal for capital in excess of \$300,000 to implement the two phases. [Kenai's situation] probably sounds similar to Anchorage's in that the Kenai Peninsula Borough currently collects 75 cents for the land hardwire lines, which cover about 45 percent of the 911 operation; however, this doesn't include any capital costs. The borough is subsidizing about 55 percent of the 911 operations, so the bill at the 75-cent level is seen as a way to help offset and recover some of the capital expense currently being faced for implementation. [The Kenai Peninsula Borough 911 Committee] is moving ahead with that in the current budget process; it has some monies allocated to start the implementation process, he explained.

MR. O'CONNOR encouraged the House Labor and Commerce Committee to keep the bill at 75 cents per line. As far as the cost recovery goes, he said, he would see each municipal government dealing with its vendors, and if there are associated costs, then vendors are going to come to the municipal operator or to whomever in the 911 system and negotiate that cost recovery. The cost per line per month that is recovered by the wireless companies should come back to the municipal governments to be

used to pay for those cost-recovery procedures. He said he couldn't see the wireless vendors taking their cost recovery out of that particular surcharge. The technology for phase 1 is here, he said, and the [Kenai Peninsula Borough 911 Committee] is moving toward this and phase 2 as soon as it is available. Recently, he announced, the [Kenai Peninsula Borough 911 Committee] has received estimates in excess of \$300,000 just to get this implemented.

Number 1143

CHAIR MURKOWSKI asked Mr. O'Connor when the Kenai area would be ready to go online with phase 1.

MR. O'CONNOR stated that [Kenai] is doing some software upgrades this week as the beginning of [phase 1], and a two-year phase was figured into the 911 budget for the Kenai Peninsula Borough. If monies are available through the budget July 1, he explained, the first half of it would start this fiscal year, with the second half next fiscal year; this is what is being recommended to the mayor, he added.

Number 1099

REPRESENTATIVE ROKEBERG asked Ms. Hillhouse, as a drafter of the legislation, if anything in statute allows for cost recovery or if it merely [provides for] the local telephone exchanges and the 911 service provider.

MS. HILLHOUSE responded that the FCC ruling mentioned in the intent language [in the bill] is where the issue was raised in the first place; [the FCC] understands that it is going to be a much more complicated system and will require interfacing local governments with telephone companies. She clarified that this particular FCC case makes a ruling requiring telephone companies to provide these services to local communities, giving the identification number and the location on the wireless caller. When [the FCC] dictated that telephone companies have to do this, it also dictated that there be an understanding that there is a cost involved and local governments are going to have to deal with cost recovery.

MS. HILLHOUSE said how recovery of costs is handled is more on a state-by-state basis. And when asked if that is because of the ruling in the FCC docket, she answered affirmatively and said that is what dictates this whole process.

REPRESENTATIVE ROKEBERG said the docket is provided; he asked whether cost recovery and the mechanism [for realizing that] are laid out there.

MS. HILLHOUSE responded that it gives options to the various states and local governments on how it is done. There is a variety, she explained, everything from a statewide trust fund to local localities charging surcharges from \$0.35 to \$2.35. These are some model legislations starting to appear in some of the states.

Number 0976

CHAIR MURKOWSKI expressed that in the FCC ruling, Ms. Hillhouse had said that it allows for various options. She asked: Are we defining that option by the statement in the legislative finding?

MS. HILLHOUSE responded that the legislative finding has been made very general to just recognize that there are two types of enhanced 911 systems, and when the enhanced 911 system comes onboard it will give a person not only the phone number but also the location. There is an understanding that there are going to be more costs involved and that the local telephone companies need to be worked with to pay for some of those costs.

CHAIR MURKOWSKI said she isn't sure that the legislative finding is clearly stated, and suggested it is the committee's biggest problem.

MS. HILLHOUSE apologized and said "we" wanted to give the committee a preview of what was coming, so this language was a compromise. The cost recovery, the different systems, and the definitions were all mentioned, she said.

Number 0895

REPRESENTATIVE ROKEBERG asked whether it is what is to come, in terms of the future technology, or what is coming to the legislature.

MS. HILLHOUSE replied that it is an issue that "we" are still trying to work out. The local governments will be able to assess their costs and how that payment will be handled; right now there isn't a good handle on exactly what that is going to be. The surcharge is needed now so tracking of the whole process can take place to figure out what the costs are.

REPRESENTATIVE ROKEBERG said the bill needs an effective date. He would like to see a legal opinion about whether this finding is adequate; he questioned whether [the issue of] cost recovery needs to be recited in state statute, or if the FCC docket can be relied upon. He said he just wants to make sure that it is available so "they" don't come back to the legislature and ask for it.

Number 0820

REPRESENTATIVE MEYER verified that Ms. Hillhouse and Ms. Tamara Cook [drafter of the legislation from Legislative Legal and Research Services] had worked for weeks on this paragraph. He asked if Ms. Cook was comfortable with that language.

MS. HILLHOUSE replied that Ms. Cook was the one who had suggested moving the legislative intent language. It was previously under the definitions section of an enhanced 911 system, to not confuse the statute by talking about something that was to come in the future, and Ms. Cook's suggestion was to move it to the introductory language, as a compromise.

REPRESENTATIVE ROKEBERG said [the bill language] assumes that one has to come to the legislature to pass another bill, which doesn't make sense.

CHAIR MURKOWSKI pointed out that if the legislative findings just dealt with the surcharge issue, there wouldn't be a need to come back unless the surcharge rate needed to be raised.

MS. HILLHOUSE said it would be fine, but part of this was a compromise with AT&T and the telephone companies; there is a lot of legislative intent in this language that explains the cost recovery. Maybe [the telephone companies] wouldn't mind deleting that first section.

Number 0711

MR. YOUNG said [AT&T] would have an issue with that. [AT&T] is looking for recognition from the legislature that when it rolls out these new enhanced services, it will be able to recover costs, which is basically what that section says. And so as long as that recognition is in place and will be available, then [AT&T] can support the surcharge proposed in this legislation. [AT&T's] concern is that [telephone companies] get the additional surcharge, but there is no

recognition of recovering costs, which is what [AT&T] is looking for.

CHAIR MURKOWSKI asked whether the FCC ruling set out an allowance for cost recovery for providers.

MR. YOUMANS said only if there is a mechanism in place in state law that allows it.

CHAIR MURKOWSKI agreed, but said [the committee] needs a legal opinion on this because she isn't convinced that something contained in legislative findings is allowing recovery by statute or regulation.

REPRESENTATIVE ROKEBERG said "you just hung yourself on your own petard," when saying that state authority is needed to be able to recover costs. The findings don't give that; only statute does, he said, which is why he was troubled. He said he would like the committee to look into this, as the last committee of referral.

MR. YOUMANS said if that is the case, then that is a real concern of [AT&T's].

Number 0628

REPRESENTATIVE ROKEBERG said there should be a statutory right for cost recovery that makes it consistent with the federal docket, and everyone is in agreement with that, he remarked, including the 911 service providers.

MR. YOUMANS commented that [AT&T] would support a change to put that in statute, if that is what is needed.

CHAIR MURKOWSKI said she thinks that there is an understanding that if cost recovery is going to be allowed for in the legislative findings, then there is some question as to whether or not that is sufficient.

REPRESENTATIVE ROKEBERG emphasized that it is not law.

CHAIR MURKOWSKI said there would be a conversation with Ms. Cook about this, along with the sponsor, in an attempt to get it figured out.

[HB 186 was held over]

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:50 p.m.