

HB

48

SENATE COMMITTEE REPORT

FURTHER

FINANCE

5/4/89

DATE TURNED INTO OFFICE

4/12/90

Mr. President:

L&C

Committee considered

CSHB 48 (FIN)

reduced rates and discounted local exchange telecommunication service for low-income individuals

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS HB 48 (Fin)) new title
- attached amendment(s) and _____) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated Dept of Conn previous
 same as previous fiscal note(s) published 4/9/90

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

J. K. ...
Michael ...

Jan ... No Rec.

Dr. ...
 Chair: signature and recommendation

Committee Backup attached



Sheila → Dick

Representative H.A. "Red" Boucher

Chairman House Committee on State Affairs • Special Committee on Telecommunications
Member Labor & Commerce Committee • Chairman Commission on the Future of the Permanent Fund

M E M O R A N D U M

TO: Senator Richard I. "Dick" Eliason, Chairman
Senate Labor and Commerce Committee

FROM: Representative H.A. "Red" Boucher

SUBJ: House Bill 48, "Lifeline Rates..."

DATE: February 20, 1990

I respectfully request the scheduling of House Bill 48, "An Act relating to reduced rates and discounted local exchange telecommunication service for low income individuals..." for a hearing in the Senate Labor and Commerce Committee at your earliest convenience.

Backup information has been provided to Sheila Peterson, of your staff. If you require any further information, please contact Ronda Thompson, my Legislative Assistant or myself.

Alaska State Legislature

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Representative H. A. "Red" Boucher

HB 48 - SPONSOR STATEMENT

REPRESENTATIVE H.A. "RED" BOUCHER

LIFELINE RATES

HB 48 permits Alaska's telephone companies to introduce "lifeline rates" to benefit the state's low-income telephone customers. A lifeline rate is a reduced rate or a discounted service designed to assure that significant rate increases will not force low-income people to quit their telephone service.

Right now, reduced rates and discounted service for low-income phone customers are not allowed in Alaska. In the present statutes, discrimination in rates and service is prohibited. The purpose of HB 48 is to remove that prohibition in the case of providing lifeline rates to low-income phone customers.

HB 48 prepares the state of Alaska for the real possibility that significant increases in telephone rates can occur within the next couple years. AT&T has been paying 80 to 100 million dollars annually, in subsidy to support Alaska's high cost telephone system. AT&T wants to stop paying this subsidy. While the Governor's Office is participating in FCC proceedings to insure reasonable phone rates for all Alaskans continue, this legislature can not ignore the possibility that rates will increase to the extent that low-income people could no longer afford telephone service. By passing this bill, this legislature will allow a safety net to be built for our low-income telephone subscribers.

HB 48 also sends a signal to the Federal Communications Commission that the state of Alaska is helping people inside our state receive the benefit from cost reductions we are requesting from them. In this way we demonstrate that we are willing to protect its citizens from the negative effects of escalating phone rates.

TELEPHONE LIFELINE RATES

1. WHAT ARE THEY?
2. WHY ARE THEY NECESSARY?
3. WHO'S FOR AND WHO'S AGAINST IT?

1. **WHAT ARE THEY?** Lifeline Rates is a catch phrase or buzzword for any of a variety of methods used by various states to subsidize the cost of basic telephone service for people who can't afford it.

2. **WHY ARE THEY NECESSARY?** Lifeline Rate legislation is part of the response that the FCC and most other states are making to the trend of higher local telephone charges that result from the court ordered divestiture of AT&T's Bell system and consequent deregulation of the telephone industry.

Current law does not allow the Alaska Public Utilities Commission to approve tariff structures to telephone companies to grant discounts and/or reduced service. Such discounts would have to be initiated by the utility company and approved by the Commission.

3. **WHO'S FOR IT AND WHO'S AGAINST IT?** (The good guys are for it and the bad guys are against it.) 😊

The Federal Communications Commission and forty states have enacted some sort of Lifeline Rate legislation. (See attached list)

Critics of Lifeline Rate⁺ legislation say it's just another welfare program. There is no budget impact. The cost of the Lifeline Rates are borne by the utility company and it's customers subject to APUC approval. This procedure is accepted throughout the country because it is in the public interest to keep as many people as possible on the telephone system.



Representative H.A. "Red" Boucher

Chairman House Committee on State Affairs • Special Committee on Telecommunications

HISTORY OF CHANGES IN HB 48 (TELEPHONE LIFELINE RATES)

STATE AFFAIRS COMMITTEE

HB 48 passed the State Affairs Committee without amendment.
No fiscal note.

LABOR AND COMMERCE COMMITTEE

CS HB 48 (L&C) was drafted by Rep. Gruenberg in the Commerce Committee. It clarifies the original bill and is stylistically superior.

Whereas the original bill added two, separate, but identical, subsections to modify two, existing sections of statute, the CS uses one modifying subsection and references the subsection in the two existing sections.

Some additional language changes are not substantive but they do make the bill read better.

No fiscal note.

FINANCE COMMITTEE

The Finance CS differs from the L&C CS by deletion of one word, i.e. (local).

Whereas the L&C CS references federal, state and local government social service programs, the Finance CS deletes "local".

No fiscal note.

TABLE 2.1

Lifeline and Connection Assistance Programs:
Date of Approval

State	Lifeline	Link Up
Alabama		10/01/87
Arizona	11/14/86	1/15/88
Arkansas	5/22/86	10/01/87
California	1/01/85*	
Colorado	7/25/86	11/13/87
Connecticut		11/13/87
District of Columbia	3/18/86	8/19/87
Hawaii	10/27/86	
Idaho	7/21/87	
Indiana		4/25/88
Iowa		3/10/88
Kansas		1/27/88
Kentucky		12/24/87
Louisiana		10/25/88
Maine	8/11/87	8/11/87**
Maryland	5/22/86	10/01/87
Minnesota	1/27/88	1/27/88
Mississippi		4/27/88
Missouri	10/01/87	12/28/87
Montana	8/11/87	8/11/87
Nebraska		3/17/88
Nevada	4/28/87	
New Hampshire		11/3/88
New Jersey		11/13/87
New Mexico	4/01/87	1/15/88
New York	11/02/87***	8/11/87
North Carolina	5/22/86	10/19/87
North Dakota		12/24/87
Ohio	7/01/87	10/01/87
Oregon	5/22/86	5/05/88
Pennsylvania		6/02/88
Puerto Rico		11/17/88
Rhode Island	9/21/87	9/21/87
South Carolina		12/24/87
South Dakota	3/25/88	3/25/88
Tennessee		11/3/88
Texas	7/12/88	10/01/87
Utah	12/31/86	3/17/88
Vermont	10/01/86	
Virginia	12/24/87	12/24/87



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POSITION PAPER

TELEPHONE LIFELINE SERVICES

Telephone Lifeline Services have been and are being established in many states, with recognition of the need of telephone service as a basic necessity for all. Telephone Lifeline Service is an affordable basic service which should be available to any household which lacks the resources to maintain a minimally adequate standard of living, with the goal of maintaining service and preserving dignity.

In recent years, telephone services have been expanded in many parts of Alaska, providing a vital basic communications service. However, there are elderly, handicapped and low-income Alaskans who need telephone service for personal and emergency communication, but simply cannot afford installation and monthly rates.

AARP defines "Lifeline" service as follows:

1. A simple statement of eligibility is required, whereby eligible consumers do not have to demonstrate eligibility for other public benefit programs.
2. Need should be based on income alone, not age, as a criterion.
3. The connection fee is discounted by at least 50%, if not waived entirely.
4. Basic service charge is no greater than 50% of the flat-rate service charge available to customers in the area.
5. Each eligible household would receive at least 60 free calls per month.

Although full Telephone Lifeline Services have not been proposed for Alaska at this time, Representative Boucher has introduced HB 48: "An Act relating to reduced rates and discounted service for low-income telecommunications customers." Under this legislation, a utility may provide, but is not required to provide, discounted or reduced-rate service. If such service is provided, APUC cannot require a utility to incur uncompensated costs or administrative burdens they could not recover through approved tariffs.

The State Legislative Committee of AARP recommends passage of HB 48; and further recommends that after one year, assessment be made of the impact on utilities and on low-income Alaskans, and that this assessment result in such amendments or further legislation as may be needed to equitably achieve the goal of making these vital communications available to those who need this service.

Adopted 11/87
Amended 1/89

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON HB 48

April 11, 1990

The commission has always supported the objective of providing affordable, universal telecommunications service throughout the state. This legislation is directed toward achieving that objective by allowing telephone utilities to offer discounted rates to low income individuals. Implicit in the legislation is that other subscribers will subsidize the discounted service. The Legislature should be aware that the proportion of customers that may qualify for discounted services may vary greatly among utilities operating in the state.

The commission believes that the policy decision as to whether an exception should be made to the discrimination clause in AS 42.05.391(a) is within the purview of the Legislature. However, the commission objects to the provision of Section 2 that allows only the utilities to decide when and what essential services should be discounted. If the Legislature endorses the underlying premise of this bill, then the regulators should be given the same level of discretion as the utilities to evaluate whether or not discounted rates are in the public interest. This argument is further strengthened by the fact that the utilities are insulated from the financial burdens of discounted services. The commission, therefore, recommends that the words "to provide a discounted service or reduced rate or" be deleted on page 1, lines 26-27.

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