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STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 432

Revision Date: 3/4/92 Department Affected: Commerce & Economic Development
 Title: An Act relating to regulation of providers of certain information services BRU: Alaska Public Utilities Commission
 Sponsor: Senator Zharoff Component: _____
 Requestor: _____

COMPONENT SERIAL NO.

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE	0	0	0	0	0	0
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Don Schroer Phone: 276-6222
 Division: Alaska Public Utilities Commission Date: 3/4/92
 Approved by Commissioner: [Signature]
 Agency: Commerce & Economic Development Date: 3-13-92

SB 432 "An Act relating to regulation of providers of certain information services."

(see attached)

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

WALTER J. HICKEL, GOVERNOR

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March 4, 1992

Senator Fred Zharoff
P. O. Box V
Juneau, Alaska 99811
FAX: 463-3043

Dear Senator Zharoff,

The Commission welcomes the introduction of legislation to deal with the emerging pay-per-call industry and supports the basic consumer protection goals embodied in SB 432.

However, the Commission notes that SB 432 raises a number of issues that may require some fine tuning to avoid possible federal preemption by either the Federal Communications Commission or Federal legislation that is currently in conference committee.

In addition, the Commission supports the development of a pay-per-call information industry that sells its service to willing, knowledgeable, and legally competent buyers. At the same time, households and businesses must have reasonable and effective means to protect against the abuses of their telephone service. It appears to us that the balance between these interests is best struck by allowing telephone subscribers free, first time blocking of the "900#'s" where it is technically available. The "reverse blocking" proposal embodied in SB 432 not only raises federal preemption issues and but also creates a significant barrier to the development of legitimate businesses in this area by forcing them to overcome a great deal of customer inertia to access their market.

We would encourage you to review the enclosed draft language which attempts to address the federal preemption issues and offers an approach to customer blocking that appears to be the emerging trend in the nation. It is also consistent with the proposed regulations which have been issued for public comments.

Please call if we can be of any further assistance in this matter.

Sincerely,



Don Schröer
Chairman

Enclosure

Florida Offers Health Insurance to Children

Florida is trying something new to make medical care available to children not covered by health insurance. A demonstration program, called Healthy Kids, will enable school children to be policyholders of free or low-cost health insurance.

The program will be available to all children up to age 19 who are enrolled in selected school districts and who are not currently covered by health insurance. Preschool-age siblings can also be included on the policy.

Premium subsidies will be available to children eligible for the National School Lunch Program. Students who receive free meals will be entitled to free insurance, while those receiving reduced-price meals will pay only about one-quarter of the premium.

An essential part of the program will be to educate parents about the importance of regular preventive care. The insurance covers the periodic physical examinations recommended by the American Academy of Pediatrics and the American College of Family Physicians. Doctors and nurses also may be brought to the schools to perform examinations if children aren't receiving their immunizations and checkups.

The program is a result of the Healthy Kids Act, a 1990 Florida law that established a non-profit corporation to improve health services to children. In October 1990 the Florida Healthy Kids Corporation received a \$7 million grant from the federal Health Care Financing Administration to establish as many as four demonstration sites for the program over four years. State funds also support the

program.

The first test site will be the Volusia County school district, where approximately 7,000 of the district's 48,141 public school children are eligible for insurance subsidies.

Administrators expect the program to be under way in Volusia County by September, and they hope to expand it to other school districts before the end of the next school year.

The impetus for the Healthy Kids Act was evidence that Florida's children

were not receiving adequate medical care. Preschool children were not being immunized, and measles cases had increased 290 percent over several years.

One reason children don't obtain medical care is lack of insurance. A study of Florida families showed that uninsured people go to the doctor less often than do insured people, and they are more likely than the insured to be in poorer health. The hospital stays of uninsured children were found to be twice as long as those of insured chil-

dren. In spring 1990 it was estimated that 500,000 children in Florida (27.7 percent) were not covered by health insurance.

A 12-member board chaired by the state insurance commissioner supervises the corporation's activities. Board members are appointed by the governor and the education and insurance commissioners. The Department of Health and Rehabilitative Services Medicaid program will oversee claims administration and will collect data on participants.

900 Numbers Under Scrutiny

With calls to "900" numbers last year topping 1 billion, legislatures and utility commissions across the nation are examining these services, also called audiotext or pay-per-call. Such services — perhaps as many as 10,000 nationwide — provide consumers with a wide variety of information and entertainment, from sports scores to ski conditions to employment leads. Calls are billed to the caller at an average charge of \$3.30 per minute, but the rate for some is much higher. It is the charges, as well as evidence of deceptive marketing practices by some 900 providers, that are prompting state and federal governments to impose restrictions.

California was the first state to enact pay-per-call legislation; its law requires price disclosure and a delayed time period during which callers can disconnect without charge. This year Virginia passed a law mandating disclosure of price and content of programs, delayed

timing for charges and itemization of charges on customers' bills. Other states have established procedures to protect callers, including customer blocking of 900-type calls, prohibiting disconnection for non-payment of 900 charges and special standards for child-oriented services. Who will pay the costs of providing such safeguards has been the subject of deliberations in a number of state utility commissions.

The federal government is also examining the issue. Legislation is pending in Congress, and the Federal Communications Commission has proposed rules to govern interstate 900 services. In 1990 the Federal Trade Commission (FTC) filed its first complaints involving 900 services; these and subsequent FTC actions focus on deceptive advertising and on services aimed at children.

Many local and long distance telephone companies that carry pay-per-call services have also adopted

guidelines to protect their customers. These include price caps for child-oriented programs, requirements for an introduction to the program, price disclosure and delayed timing for charges. Some companies also offer blocking of calls to some or all pay-per-call services.

A working group of attorneys general from nine states looking at consumer fraud in the 900 industry recently issued a report calling for a national set of standards and recommending adoption of federal policy that would not pre-empt additional protections by states.

States are also concerned about information gathered from consumer calls to both 800 and 900 numbers, and how it is used. Because current technology can automatically identify callers' numbers and link them to data bases of more personal information, there is concern about the implications of these practices for consumers' privacy.



Investment Adviser Equity Markets

Senator Pearce
State Capitol
Room 101
Juneau, Alaska, 99801-1182

03/20/92

Dear Senator Pearce;

I am writing in reference to Senate Bill No. 432 regarding the regulation of providers of certain information services. I have spent almost four years, and a considerable amount of money, developing a highly sophisticated computerized investment advisory service that will be offered worldwide via 800 and 900 number services. I anticipate completing research and development later this year, with the idea of beginning the marketing effort in the early part of 1993. Being a lifelong Alaskan, one of the exciting parts of the whole effort has been the idea of a native Alaskan leaving the state to acquire an education from a topflight business school, and to come back and engage in a successful entrepreneurial business activity that not only employs many Alaskans, but generates an export product based upon information, a non-depleting asset.

This week I was informed about S.B. 432, and to my dismay I can only conclude two things. If it is passed in its present form, I will not only have to abandon any idea of setting up the business enterprise in Alaska, but I would not even be able to offer the service to any Alaskan resident, regardless of where I locate. I know to a lay person not familiar with the economics of such services, trying to protect the consumer from questionable services, S.B. 432 on the surface, looks quite reasonable. In fact for many of the information services it may be appropriate. Unfortunately, I am afraid that the results of this bill would throw the baby out with the bath water.

In addition, currently, for many reasons, 900 termination does not even exist in Alaska. What I mean by that is that any caller outside of Alaska cannot call a 900 number and access an information source resident in Alaska. Currently any such calls are actually directed elsewhere such as Nevada. This is primarily due to logistics and economics. One of my goals however has always been to locate my entire business in Alaska. Fortunately, in recent discussions with Alascom, they expressed a willingness to establish a terminal relation with the other national carriers and have it based here in Alaska. This is a first for them, and is primarily because of the legitimacy, credibility, and volume potential of this project. Critical to the success of basing the project in Alaska is a supportive environment. This is because we have many things working against us, even from a telecommunications economics framework.

I would be happy to work with you and your staff to try and come up with something we can

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all live with. My only hesitancy is that we have not completely designed the final product yet, and probably won't have it refined for several more months. I can also offer to let you see the project in its current state during your next trip to Anchorage, keeping in mind that it is of a highly proprietary nature. I hope we can work this out so that I don't have to abandon my plan to establish a new industry for Alaska. I urge you to work towards the creation and success of economic enterprise, something I know you feel is critical to all Alaskans. Please let me know how I may be of assistance.

Sincerely;

A handwritten signature in black ink, appearing to read "David Gottstein", written over a horizontal line.

David Gottstein
President
Dynamic Research Group

cc: Senator Kerttula