

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8688 HOUSE LABOR & COMMERCE

THE CASE FOR A HIGHER UI WEEKLY BENEFIT AMOUNT

I. PROBLEM

- A. Alaska's average paycheck is near the top (see Table 1).
- B. But the size of the average check written for UI puts us in the middle of the pack nationwide (see Table 2).
- C. Alaska ranks 49th when it comes to wage replacement, the amount the average paycheck gets replaced by the average UI check (see Table 3).
- D. While wages and the cost of living continue to rise, Alaska's current maximum weekly benefit amount (WBA) schedule has stayed the same since 1990. This means that although wages in Alaska remain the fifth highest nationally, our maximum WBA has fallen to 35th (see Table 4).

II. PROPOSAL

- A. Keep the current schedule, but allow maximum WBA to rise by \$2 for each \$250 in wages up to the taxable wage base, which is defined as 75 percent of the average annual Alaska wage (AAW).
- B. During the first year of the new schedule, we estimate that this would add about \$26, bringing the maximum WBA to \$238 (see Table 5).
- C. Future changes in the maximum WBA would be dependent on the AAW, increasing or decreasing with the year's taxable wage base (TWB).

III. WHY THIS APPROACH?

- A. It has withstood the test of time. Currently, 35 states use a flexible schedule with a maximum WBA tied to a percentage of the average weekly wage (AWW) paid in each state. These percentages run from 70 percent in Washington state to 49.5 percent in Illinois (see Table 6).
- B. It is a modest proposal. Compared to the 35 states that already use a flexible schedule tied to the AWW, Alaska's proposal is quite modest. Alaska's proposal would set the maximum WBA at levels approximating only 36 percent of the AWW, well below the next highest state (see Table 6).
- C. It is fair and rational for both employers and workers. It caps usable wages at the taxable wage base, so workers draw only

on wages that have been taxed, and employers are taxed only on wages usable on claims.

D. The proposal adjusts the maximum WBA according to the economy, protecting both worker and employer. Workers receive greater wage replacement during good times; but during recessions, employers may see tax burdens fall as a result of decreasing wages. Lower wages = lower maximum WBA.

IV. WHAT WILL IT COST?

A. Average tax rate for 1998 (projected) is 2.28 percent in the current schedule and 2.30 percent in the proposed schedule, a difference of .02 percent. Differences will be .26 percent and .19 percent above the projected rate under the current schedule in 1999 and 2000. These tax rate estimates are based on increased program costs of \$5.6, \$6.7, \$7.4, and \$8.4 million annually from 1997 through the year 2000 (see Table 7, Current and Proposed).

B. Maximum average additional cost per employee: \$5.22 in 1998; \$69.42 in 1999; and \$52.06 in 2000. We expect that additional costs due to the proposal will mimic 1999-2000 rates during the following decade.

C. Because tax rates can vary widely, even within the same industry, it is difficult to make statements about the proposal's impact on employers by industry. However, attached are tables that show estimates for specific employers based on their current tax rates and total taxable wages paid. Employers who tend to have average tax rates (rate class 10 and 11) can expect costs similar to those shown in Table 8.

D. We expect little or no impact on employers with stable employment and tax rates which are usually low. Some employers (those who frequently find themselves paying at the minimum rate of 1 percent) will not experience any increased cost (see Table 9).

E. Employers with big payroll fluctuations and generally higher UI tax rates will feel more impact. But employees in seasonal industries (construction, seafood processing, logging) will also receive the greatest benefit (see Table 10).

V. WON'T AN INCREASE ADD TO THE WORK DISINCENTIVE?

A. The proposed increase will impact only workers earning near or above the AAW. These workers are accustomed to a living standard based on a substantial earned income, and should continue to work when work is available.

B. Approximately two-thirds of our UI claimants (those earning under \$29, 300 per year) will be unaffected by this proposal (see Table 5).

C. Moving from welfare to work makes it mandatory to have a UI program that values worker contribution to the economy and protects workers in bad times.

VI. WON'T A FLEX SCHEDULE ALLOW COSTS TO ESCALATE?

A. Alaska's current shift toward retail/service economy should exert downward pressure on future wage increases. The increase in lower-paying jobs in these growing industries will ensure slow increases in the average annual wage.

B. Thirty-five states have already shown that a flexible schedule does not cause runaway costs and is consistent with a strong and stable economy. The proposal is a modest 36 percent of the average weekly wage, quite low in comparison to the 35 states that already embrace a flexible maximum WBA schedule (see Table 6).

Table 1

Although the Size of the Average Paycheck in Alaska Ranks Fairly High when it's Compared to Paychecks in Other States

State	Average Weekly Paycheck (\$)	Rank
Dist. of Columbia	707.78	1
Connecticut	648.70	2
New Jersey	641.05	3
New York	640.68	4
ALASKA	620.11	5
Massachusetts	593.57	6
California	571.00	7
Michigan	564.76	8
Illinois	555.79	9
Delaware	535.62	10
Maryland	529.06	11
Pennsylvania	513.62	12
Minnesota	505.22	13
Hawaii	504.90	14
Washington	500.37	15
Ohio	498.56	16
Colorado	495.69	17
Texas	494.04	18
Nevada	489.70	19
New Hampshire	487.67	20
Rhode Island	484.84	21
Virginia	484.60	22
Georgia	480.75	23
Indiana	474.52	24
Oregon	470.35	25
Missouri	467.82	26
Wisconsin	465.35	27
Arizona	461.01	28
Florida	458.06	29
Tennessee	455.95	30
North Carolina	447.35	31
Alabama	442.91	32
Louisiana	440.35	33
Vermont	438.27	34
Kansas	434.52	35
West Virginia	434.13	36
Kentucky	432.45	37
Utah	428.84	38
South Carolina	427.24	39
Iowa	422.83	40
Maine	422.69	41
Oklahoma	418.94	42
Wyoming	416.26	43
New Mexico	415.75	44
Idaho	414.76	45
Nebraska	408.94	46
Arkansas	396.04	47
Mississippi	384.81	48
Montana	377.41	49
North Dakota	375.28	50
South Dakota	361.19	51
United States 1/	510.39	

Table 2

The Size of the Average Check Written for Unemployment Insurance in Alaska
puts us in the Middle of the Pack.

State	Average Weekly UI Check (\$)	Rank
Hawaii	265.72	1
New Jersey	245.61	2
Massachusetts	237.07	3
Connecticut	221.96	4
Dist. of Columbia	219.82	5
Rhode Island	219.78	6
Minnesota	217.44	7
Michigan	212.77	8
Pennsylvania	211.95	9
Washington	208.41	10
New York	203.35	11
Illinois	198.60	12
Colorado	194.72	13
Kansas	191.74	14
Ohio	190.87	15
Wisconsin	187.53	16
Utah	186.68	17
Texas	184.94	18
Nevada	184.82	19
Iowa	182.93	20
Delaware	182.72	21
Maryland	179.93	22
Oregon	178.57	23
North Carolina	175.02	24
Wyoming	172.54	25
ALASKA	169.99	26
Virginia	169.31	27
Florida	168.65	28
Oklahoma	168.16	29
Idaho	167.24	30
West Virginia	166.51	31
Vermont	163.95	32
Arkansas	161.37	33
Maine	160.79	34
North Dakota	159.58	35
Kentucky	159.41	36
Indiana	158.02	37
Montana	155.54	38
California	153.92	39
South Carolina	153.75	40
Georgia	152.60	41
Missouri	150.07	42
Arizona	147.93	43
New Hampshire	145.87	44
Tennessee	141.73	45
New Mexico	140.09	46
Nebraska	140.00	47
South Dakota	137.68	48
Alabama	131.21	49
Mississippi	128.56	50
Louisiana	117.85	51
United States 1/	182.17	

Table 3

And When We Look at how Much of the Average Paycheck is Replaced by the Average Unemployment Insurance Check, It doesn't Look Good at All.

State	Percentage of the Paycheck that gets Replaced by the UI Check	Rank
Hawaii	52.6	1
Rhode Island	45.3	2
Kansas	44.1	3
Utah	43.5	4
Iowa	43.3	5
Minnesota	43.0	6
North Dakota	42.5	7
Wyoming	41.5	8
Pennsylvania	41.3	9
Washington	41.3	10
Montana	41.2	11
Arkansas	40.7	12
Idaho	40.3	13
Wisconsin	40.3	14
Oklahoma	40.1	15
Massachusetts	39.9	16
Colorado	39.3	17
North Carolina	38.1	18
West Virginia	38.4	19
New Jersey	38.3	20
Ohio	38.3	21
South Dakota	38.1	22
Maine	38.0	23
Oregon	38.0	24
Nevada	37.7	25
Michigan	37.7	26
Texas	37.4	27
Vermont	37.4	28
Florida	37.0	29
Kentucky	36.9	30
South Carolina	36.0	31
Illinois	35.7	32
Virginia	34.9	33
Nebraska	34.2	34
Connecticut	34.2	35
Delaware	34.1	36
Maryland	34.0	37
New Mexico	33.7	38
Mississippi	33.4	39
Indiana	33.3	40
Arizona	32.1	41
Missouri	32.1	42
Georgia	31.7	43
New York	31.7	44
Tennessee	31.1	45
Dist. of Columbia	31.1	46
New Hampshire	29.9	47
Alabama	29.6	48
ALASKA	27.4	49
California	27.0	50
Louisiana	26.8	51
United States 1/	35.7	

Table 4

Where Alaska's Maximum Weekly Benefit Amount (Max WBA) fits in
Compared to the Other States, 1994.

State	Maximum Weekly Benefit	Rank
New Jersey	\$354	1
Dist. of Columbia	347	2
Hawaii	344	3
Washington	343	4
Pennsylvania	340	5
Massachusetts	333	6
Connecticut	335	7
Rhode Island	317	8
Minnesota	304	9
New York	300	10
Michigan	293	11
Oregon	292	12
North Carolina	289	13
West Virginia	282	14
Colorado	267	15
Wisconsin	266	16
Delaware	265	17
Arkansas	256	18
Kansas	255	19
Utah	253	20
Texas	252	21
Florida	250	22
Oklahoma	245	23
Ohio	245	24
Illinois	242	25
North Dakota	237	26
Nevada	235	27
Idaho	235	28
Kentucky	232	29
California	230	30
Wyoming	229	31
Montana	223	32
Maryland	223	33
Iowa	216	34
Alaska	212	35
Vermont	210	36
Virginia	208	37
South Carolina	207	38
New Mexico	205	39
New Hampshire	204	40
Indiana	202	41
Tennessee	200	42
Georgia	195	43
Maine	192	44
Arizona	185	45
Nebraska	184	46
Louisiana	181	47
Alabama	180	48
Missouri	175	49
South Dakota	174	50
Mississippi	165	51
Puerto Rico	133	52

Table 5

SCHEDULE EXAMPLE FOR 1997: CURRENT PROPOSED

CALENDAR YEAR	1994	1997
MINIMUM BASE PERIOD WAGE	\$1,000	\$1,000
MINIMUM WEEKLY BENEFIT AM	\$44	\$44
MAXIMUM WEEKLY BENEFIT AM	\$212	\$238
TAXABLE WAGE BASE PROJECTED FOR 1997:		\$25,300

BASE PERIOD WAGE (\$)

WEEKLY BENEFIT AMOUNT (\$)	WEEKLY BENEFIT AMOUNT (\$)
A	B

1,000 - 1,250
1,250 - 1,500
1,500 - 1,750
1,750 - 2,000
2,000 - 2,250
2,250 - 2,500
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2,750 - 3,000
3,000 - 3,250
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44.00	44.00
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52.00	52.00
54.00	54.00
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68.00	68.00
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70.00	70.00
72.00	72.00
74.00	74.00
78.00	78.00
78.00	78.00
80.00	80.00
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84.00	84.00
86.00	86.00
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92.00	92.00
94.00	94.00
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102.00	102.00
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106.00	106.00
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112.00	112.00
114.00	114.00

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118.00	118.00
118.00	118.00
120.00	120.00
122.00	122.00
124.00	124.00
126.00	126.00
128.00	128.00
130.00	130.00
132.00	132.00
134.00	134.00
136.00	136.00
138.00	138.00
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142.00	142.00
144.00	144.00
146.00	146.00
148.00	148.00
150.00	150.00
152.00	152.00
154.00	154.00
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160.00	160.00
162.00	162.00
164.00	164.00
166.00	166.00
168.00	168.00
170.00	170.00
172.00	172.00
174.00	174.00
176.00	176.00
178.00	178.00
180.00	180.00
182.00	182.00
184.00	184.00
186.00	186.00
188.00	188.00
190.00	190.00
192.00	192.00
194.00	194.00
196.00	196.00
198.00	198.00
200.00	200.00
202.00	202.00
204.00	204.00
206.00	206.00
208.00	208.00
210.00	210.00
212.00	212.00
212.00	214.00
212.00	216.00
212.00	218.00

Table 6

35 states base the maximum weekly benefit amount on the state's average weekly wage. If these states had Alaska's average weekly wage (AWW) of \$620/week, they would all be paying a much higher maximum weekly benefit amount than we are proposing. Alaska's proposal is based on about 36% of the AWW: a lower rate than any of the states below. All the states indicated by asteriks already have a higher maximum WBA than Alaska's. Though most have a lower average weekly wage. All estimates are based on 1994 rates.

Alphabetical Listing

States Ranked by Largest Max WBA Using Alaska's Average Weekly Wage

State	Current Max WBA	Law Sets the Current Max WBA at This %age of the AWW	Max WBA Using Alaska's 1994 AWW	Law Sets the Current Max WBA at This %age of the AWW	Max WBA Using Alaska's 1994 AWW
Alaska	\$212	Proposed at Approximately 36%	\$226		
* Arkansas	256	66.67	413		
* Colorado	267	55	341		
* Connecticut	335	60	372		
* Dist. of Columbia	347	50	310		
* Hawaii	344	70	434		
* Idaho	235	60	372		
* Illinois	242	49.5	307		
* Iowa	216	53	329		
* Kansas	255	60	372		
* Kentucky	232	55	341		
Louisiana	181	66.67	413		
Maine	192	52	322		
* Massachusetts	336	57.5	357		
* Michigan	293	58	360		
* Minnesota	304	Not Available			
* Montana	223	60	372		
* Nevada	235	50	310		
* New Jersey	354	56.67	351		
New Mexico	205	50	310		
* North Carolina	289	66.67	413		
* North Dakota	237	60	372		
* Ohio	245	Not Available			
* Oklahoma	245	Not Available			
* Oregon	292	64	397		
* Pennsylvania	340	66.67	413		
Puerto Rico	133	50	310		
* Rhode Island	317	67	415		
South Carolina	207	66.67	413		
South Dakota	174	50	310		
* Utah	253	60	372		
Vermont	210	Not Available			
* Virgin Islands	223	50	310		
* Washington	343	70	434		
* West Virginia	282	66.67	413		
* Wyoming	229	55	341		
Washington		70%	\$434		
Hawaii		70	434		
Rhode Island		67	415		
Pennsylvania		66.67	413		
South Carolina		66.67	413		
West Virginia		66.67	413		
Arkansas		66.67	413		
Louisiana		66.67	413		
North Carolina		66.67	413		
Oregon		64	397		
Connecticut		60	372		
Montana		60	372		
Kansas		60	372		
North Dakota		60	372		
Utah		60	372		
Idaho		60	372		
Michigan		58	360		
Massachusetts		57.5	357		
New Jersey		56.67	351		
Kentucky		55	341		
Wyoming		55	341		
Colorado		55	341		
Iowa		53	329		
Maine		52	322		
New Mexico		50	310		
South Dakota		50	310		
Puerto Rico		50	310		
Virgin Islands		50	310		
Nevada		50	310		
Dist. of Columb		50	310		
Illinois		49.5	307		
Vermont		Not Available			
Minnesota		Not Available			
Ohio		Not Available			
Oklahoma		Not Available			
Alaska		Proposed at Approximately 36%	226		

*States which currently have a greater Maximum WBA than does Alaska.

Table 7, Proposed Schedule

UI TRUST FUND MODEL, FORECASTS THROUGH 2000

	REVISED:	27-Dec-95	1994	1995	1996	1997	1998	1999	2000
WAGES & EMPLOYMENT:									
1	Total Covered Wages (\$1,000)		7,489,797	7,848,439	8,173,670	8,432,014	8,767,315	9,105,409	9,454,458
2	Wages Taxable Employers (\$1,000)		5,527,255	5,851,943	6,045,527	6,309,417	6,574,625	6,842,957	7,120,440
3	Taxable Wages (\$1,000)		3,592,202	3,940,030	4,070,367	4,248,041	4,426,601	4,607,265	4,794,090
4	Avg. Mo. Cov. Employment		233,455	236,920	237,386	240,113	242,886	245,708	248,578
5	Avg. Annual Wage (\$)		32,082	33,127	34,432	35,117	36,096	37,058	38,034
6	Taxable Wage Base (Est.) (\$)		23,800	23,900	24,400	25,300	26,100	26,700	27,400
UI TAX COMPUTATION:									
7	Benefit Costs (SFY) (\$)		102,735,905	101,800,907	106,269,911	106,354,384	115,491,053	126,115,409	137,073,147
8	Benefit Costs Prior 3 SFY's (\$)		268,546,371	290,060,365	292,236,234	310,806,722	314,425,201	328,115,348	347,960,846
9	Wages 1st 3 Last 4 SFY's (\$1,000)		14,396,021	14,932,672	15,513,630	16,183,510	16,969,241	17,740,605	18,519,370
10	Average Benefit Cost Ratio		2.90%	2.98%	2.90%	2.91%	2.81%	2.80%	2.85%
11	Trust Fund Solvency Adjustment		-0.4%	-0.4%	-0.2%	0.0%	0.0%	0.2%	0.4%
12	Average Employer Tax Rate		1.98%	2.04%	2.17%	2.39%	2.30%	2.50%	2.73%
13	Average Employee Tax Rate		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
REVENUES COLLECTED:									
14	Contributions From Employers (\$)		71,125,600	80,376,612	88,326,964	101,528,180	101,811,823	115,181,625	130,878,657
15	Contributions From Employees (\$)		14,368,808	15,760,120	16,281,468	16,992,164	17,706,404	18,429,060	19,176,360
16	Other Revenues (\$)		43,093,040	32,747,406	33,449,136	35,086,506	37,659,517	40,700,347	43,975,088
17	Interest Received on TF (\$)		14,529,694	13,601,533	15,382,131	17,037,258	14,715,484	12,203,620	11,648,143
18	Total Revenues		144,250,178	142,485,671	153,439,699	170,644,108	171,893,228	186,514,652	205,678,248
19	Change from Prior Year		-25%	-1%	8%	11%	1%	9%	10%
20	Due to Statutory Changes (\$)		0	0	0	0	0	0	0
BENEFITS PAID:									
21	Total Benefits Paid		158,191,131	146,790,656	156,170,640	172,205,590	183,372,162	196,759,814	211,859,324
22	Change from Prior Year		-19%	-7%	6%	10%	6%	7%	8%
23	Due to Statutory Changes (\$)		0	0	0	5,698,134	6,716,498	7,429,142	8,446,572
TRUST FUND RESERVE:									
24	Initial Trust Fund Balance		219,579,116	205,638,163	201,333,178	198,602,237	197,040,755	185,561,821	175,316,659
25	End of Year Balance		205,638,163	201,333,178	198,602,237	197,040,755	185,561,821	175,316,659	169,135,584

Table 7, Current Schedule

UI TRUST FUND MODEL, FORECASTS THROUGH 2000

	REVISED:	27-Dec-95	1994	1995	1996	1997	1998	1999	2000
WAGES & EMPLOYMENT:									
1	Total Covered Wages (\$1,000)		7,489,797	7,848,439	8,173,670	8,432,014	8,767,315	9,105,409	9,454,458
2	Wages Taxable Employers (\$1,000)		5,527,255	5,851,943	6,045,527	6,309,417	6,574,625	6,842,957	7,120,440
3	Taxable Wages (\$1,000)		3,592,202	3,940,030	4,070,367	4,248,041	4,426,601	4,607,265	4,794,090
4	Avg. Mo. Cov. Employment		233,455	236,920	237,386	240,113	242,886	245,708	248,578
5	Avg. Annual Wage (\$)		32,082	33,127	34,432	35,117	36,096	37,058	38,034
6	Taxable Wage Base (Est.) (\$)		23,800	23,900	24,400	25,300	26,100	26,700	27,400
UI TAX COMPUTATION:									
7	Benefit Costs (SFY) (\$)		102,735,905	101,800,907	106,269,911	103,881,428	109,917,115	119,658,562	129,952,252
8	Benefit Costs Prior 3 SFY's (\$)		268,546,371	290,060,365	292,236,234	310,806,722	311,957,245	320,069,253	333,457,904
9	Wages 1st 3 Last 4 SFY's (\$1,000)		14,396,021	14,932,672	15,513,630	16,183,510	16,969,241	17,740,605	18,519,370
10	Average Benefit Cost Ratio		2.90%	2.98%	2.90%	2.91%	2.79%	2.73%	2.73%
11	Trust Fund Solvency Adjustment		-0.4%	-0.4%	-0.2%	0.0%	0.0%	0.0%	0.3%
12	Average Employer Tax Rate		1.98%	2.04%	2.17%	2.39%	2.28%	2.24%	2.54%
13	Average Employee Tax Rate		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
REVENUES COLLECTED:									
14	Contributions From Employers (\$)		71,125,600	80,376,612	88,326,964	101,528,180	100,926,503	103,202,736	121,769,886
15	Contributions From Employees (\$)		14,368,808	15,760,120	16,281,468	16,992,164	17,706,404	18,429,060	19,176,360
16	Other Revenues (\$)		43,093,040	32,747,406	33,449,136	35,086,506	37,659,517	40,700,347	43,975,088
17	Interest Received on TF (\$)		14,529,694	13,601,533	15,382,131	17,289,174	15,416,735	12,911,153	12,222,785
18	Total Revenues		144,250,178	142,485,671	153,439,699	170,896,024	171,709,159	175,243,296	197,144,119
19	Change from Prior Year		-2.5%	-1%	8%	11%	0%	2%	12%
20	Due to Statutory Changes (\$)		0	0	0	0	0	0	0
BENEFITS PAID:									
21	Total Benefits Paid		158,191,131	146,790,656	156,170,640	166,607,456	176,655,664	189,330,672	203,412,752
22	Change from Prior Year		-19%	-7%	6%	7%	6%	7%	7%
23	Due to Statutory Changes (\$)		0	0	0	0	0	0	0
TRUST FUND RESERVE:									
24	Initial Trust Fund Balance		219,579,116	205,638,163	201,333,178	198,602,237	202,890,805	197,944,300	183,856,924
25	End of Year Balance		205,638,163	201,333,178	198,602,237	202,890,805	197,944,300	183,856,924	177,588,291

Table 8

How Much will the Proposed UI Benefit Increase Cost My Firm?

We can estimate the average employers' future tax rates under both the current (A) and the proposed (B) UI benefit schedules. The difference (C) between the two tax rates is the increase in the tax rate resulting from the proposed UI benefit schedule. This difference is then multiplied times the projected taxable wage base (D) for each tax year. The result gives us an estimate of the maximum increased cost per worker (E) for the employer with the average tax rate.

Tax Year (Calendar Years)	1997	1998	1999	2000
(A) Projected Employer Tax Rates under the Current Schedule (%)	2.39	2.28	2.24	2.54
(B) Projected Employer Tax Rates under the Proposed Schedule (%)	2.39	2.3	2.5	2.73
(C) Difference between Tax Rates (%)	0	0.02	0.28	0.19

Maximum Increased cost (E) for the employer for each employee earning at or above the projected Taxable Wage Base (D)				
(D) Taxable Wage Base (\$)	25,300	28,100	28,700	27,400
(E) Maximum Cost per Employee (\$)	\$0.00	\$5.22	\$89.42	\$52.08

Cost for Average Firm within the Listed Employment Size Classes

Size Class (# of workers)	# of Firms within size class	Cumulative % of Firms	Ave. Firm Size (# of workers)	1997	1998	1999	2000
0-4	8,222	58.2%	2.7	\$0	\$14	\$187	\$141
5-9	2,638	76.8%	6.5	0	34	451	338
10-19	1,635	88.4%	13.3	0	69	923	692
20-49	970	95.2%	30.1	0	157	2,090	1,567
50-99	311	97.4%	68.0	0	355	4,721	3,540
100-249	221	99.0%	163.2	0	852	11,329	8,496
250-499	76	99.5%	338.8	0	1,769	23,520	17,638
500-999	42	99.8%	660.2	0	3,448	45,831	34,370
1000 +	28	100.0%	1,876.7	0	9,796	130,281	97,701

**Cost Impact Estimates for the Proposed WBA Schedule Change
All Employees Earning at 50% of the Taxable Wage Base**

50% of the Taxable Wage Base (\$)	12,650	13,050	13,350	13,700
Maximum Cost per Employee (\$)	\$0.00	\$2.61	\$34.71	\$26.03

Cost for Average Firm within the Listed Employment Size Classes

Size Class (# of workers)	# of Firms within size class	Cumulative % of Firms	Ave. Firm Size (# of workers)	1997	1998	1999	2000
0-4	8,222	58.2%	2.7	\$0	\$7	\$94	\$70
5-9	2,636	76.8%	6.5	0	17	226	169
10-19	1,635	88.4%	13.3	0	35	462	346
20-49	970	95.2%	30.1	0	79	1,045	784
50-99	311	97.4%	68.0	0	177	2,360	1,770
100-249	221	99.0%	163.2	0	428	5,665	4,248
250-499	76	99.5%	338.8	0	884	11,760	8,819
500-999	42	99.8%	660.2	0	1,723	22,918	17,185
1000 +	28	100.0%	1,876.7	0	4,898	65,140	48,851

Notes: Firms typically receiving an employer tax rate of 1% may not experience any tax rate increases as a result of the proposed change. During the current tax year (CY 1995) over 1600 firms were assigned the minimum tax rate of 1%.

Table 9

Cost Impact Estimates for the Proposed WBA Schedule Change for the Twenty-one Tax Rate Classes

If the estimated CY 2000 increase caused by the proposed change in the benefits schedule were applied the 1996 tax year's tax array, tax rate classes would have been changed in manner shown below.

1996 Employer Rates	Year 2000 Est. Rates	Difference Between the Tax Rates	Rate Classes	1996 Taxable Wage Base	Proposal's Cost Increase /Employee	# of Employers
1.00%	1.00%	0.00%	1	\$24,400	\$0	409
1.00	1.00	0.00	2	24,400	0	431
1.00	1.08	0.08	3	24,400	20	379
1.11	1.21	0.10	4	24,400	24	246
1.22	1.34	0.12	5	24,400	29	404
1.34	1.46	0.12	6	24,400	29	286
1.46	1.59	0.13	7	24,400	32	477
1.70	1.85	0.15	8	24,400	37	356
1.94	2.10	0.16	9	24,400	39	528
2.17	2.36	0.19	10	24,400	46	409
2.17	2.36	0.19	11	24,400	46	388
2.41	2.61	0.20	12	24,400	49	604
2.65	2.87	0.22	13	24,400	54	618
2.89	3.13	0.24	14	24,400	59	902
3.01	3.25	0.24	15	24,400	59	737
3.12	3.38	0.26	16	24,400	63	817
3.24	3.51	0.27	17	24,400	66	899
3.36	3.64	0.28	18	24,400	68	709
3.48	3.77	0.29	19	24,400	71	807
3.60	3.89	0.29	20	24,400	71	2,424
5.40	5.40	0.00	21	24,400	0	327
Total Firms:						13,157

Source: Alaska Department of Labor, Research and Analysis.

Table 10

UI Benefits Paid by Industry, CY 1994

Industry Group	Regular Benefits	Extended Benefits	State Supplemental Benefits	Federal Emergency	Total
Agriculture	1,262,766	164,450	1,504	63,977	1,492,697
Mining	7,156,613	866,788	2,256	454,938	8,480,595
Oil & Gas	5,851,642	685,230	1,402	375,558	6,913,832
Other Mining	1,304,971	181,558	854	79,380	1,566,763
Construction	20,717,261	2,471,062	34,704	1,493,037	24,716,064
Manufacturing	21,420,772	1,812,089	34,491	1,295,349	24,562,701
Food Process	14,145,576	1,242,867	28,301	819,810	16,236,554
Lumber & Wood	3,181,326	236,658	2,600	285,509	3,706,093
Paper	2,482,643	147,043	0	90,860	2,720,546
Other Mfg.	1,611,227	185,521	3,590	99,170	1,899,508
Transportation	11,322,218	1,456,015	18,401	726,750	13,523,384
Trade	18,861,157	2,577,138	52,165	1,035,973	22,526,433
Finance	4,305,882	536,311	13,298	220,585	5,076,076
Services	25,874,295	3,503,488	65,229	1,446,277	30,889,289
Public Admin.	14,925,175	1,739,625	23,182	783,151	17,471,133
Unclassified	330,066	96,097	2,116	38,118	466,397
Total	126,176,205	15,223,063	247,346	7,558,155	149,204,769

Source: Alaska Department of Labor, Research & Analysis.

Table 11

Total UI Benefit Payments, by Census Area, 1991 - 1994

Census Areas	1991	1992	1993	1994	4 Year Total
Aleutian Islands E CA	79,476	141,220	192,126	317,747	730,569
Aleutian Islands W CA	114,156	200,139	309,852	293,102	917,249
Anchorage Borough	36,575,248	48,153,483	46,658,204	38,544,831	169,931,766
Bethel CA	1,467,391	2,052,304	2,088,683	1,969,175	7,577,553
Bristol Bay Borough	151,603	204,448	284,687	222,244	862,982
Denali Borough	9,081	455,738	619,071	583,878	1,667,768
Dillingham CA	387,956	588,975	675,962	619,610	2,272,503
Fairbanks N Star Borough	15,837,931	19,585,016	19,818,484	15,884,658	71,126,089
Haines Borough	814,699	1,077,888	843,109	763,159	3,498,855
Juneau Borough	4,375,980	5,538,095	6,350,924	5,063,524	21,328,523
Kenai Peninsula Borough	11,865,491	16,570,210	15,338,278	12,663,700	56,437,679
Ketchikan Gateway Borough	3,378,856	3,581,729	3,870,730	3,119,100	13,950,415
Kodiak Island Borough	2,499,077	3,590,572	3,989,008	5,228,890	15,307,547
Lake & Peninsula Borough	22,239	258,427	275,486	208,082	764,234
Matanuska-Susitna Borough	11,200,630	15,725,502	14,770,931	12,209,224	53,906,287
Nome CA	1,627,237	2,136,181	2,141,867	1,930,742	7,836,027
North Slope Borough	644,276	673,822	890,123	545,066	2,753,287
Northwest Arctic Borough	1,506,985	2,162,013	2,109,348	1,668,430	7,446,776
Prince of Wales-Outer Ktn	1,979,636	2,429,392	2,181,376	2,252,788	8,843,192
Sitka Borough	1,136,558	1,292,485	1,619,338	2,587,031	6,635,412
Skagway-Hoonah-Angoon CA	1,190,068	1,366,292	1,560,582	1,387,206	5,504,148
Southeast Fairbanks CA	1,367,129	1,614,762	1,755,353	1,703,619	6,440,863
Valdez - Cordova CA	2,337,057	2,865,831	2,834,243	2,577,319	10,614,450
Wade Hampton CA	794,582	879,295	1,083,286	1,117,781	3,874,944
Wrangell - Petersburg CA	1,846,882	2,034,387	2,244,025	1,869,066	7,994,360
Yakutat Borough	-	-	-	47,310	47,310
Yukon - Koyukuk CA	1,946,151	2,253,694	1,926,865	1,689,572	7,816,282
Area Unknown	433,462	608,079	473,172	487,640	2,002,353
In-State Totals	105,589,837	138,039,979	136,905,113	117,554,494	498,089,423
Interstate Totals	23,463,426	37,792,147	43,283,253	32,455,565	136,994,391
Totals All Areas	129,053,263	175,832,126	180,188,366	150,010,059	635,023,814

Source: Alaska Dept of Labor, Research and analysis.

**Additional Yearly Cost/Employee based on 1996 Average Industry Tax Rates
Using Increases Projected for Year 2000**

Rate Class	1	2	3	4	5	6	7	8	9	10
Change in the Tax Rate	0.00	0.00	0.08	0.10	0.12	0.12	0.13	0.15	0.16	0.19

Rate Class	11	12	13	14	15	16	17	18	19	20
Change in the Tax Rate	0.19	0.20	0.22	0.24	0.24	0.26	0.27	0.28	0.29	0.29

Industries	Total # of Firms	Increase in the Average Tax Rate	1996 Taxable Wage Base	Annual Cost Per Employee
Unclassified	85	0.22	\$24,400	\$53.68
Ag-For-Fish	208	0.25	24,400	61.00
Mining	144	0.24	24,400	58.56
Construction	1,611	0.27	24,400	65.88
Manufact.	420	0.23	24,400	56.12
Trans-Comm-				
Utilities	938	0.21	24,400	51.24
Trade (Total)	3,556	0.21	24,400	51.24
Wholesale	905	0.21	24,400	51.24
Retail	2,651	0.21	24,400	51.24
Finance-Insurance				
Real Estate	775	0.17	24,400	41.48
Services	4,968	0.19	24,400	46.36
Pub. Admin.	125	0.20	24,400	48.80
Total Firms	12,830	0.21	\$24,400	\$51.24

Source: Alaska Department of Labor, Research and Analysis.

A-Rated Employers 1996 Firms 1996 Rates

1996
Average

Rate Class	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
Tax Rates	1.00	1.00	1.00	1.11	1.22	1.34	1.46	1.70	1.94	2.17	2.17	2.41	2.65	2.89	3.01	3.12	3.24	3.36	3.48	3.90	total	Rate
Unclassified	7	2	3	1	0	1	4	2	3	3	0	0	0	5	7	3	5	0	2	31	85	2.77
Ag-For-Fish	7	4	5	1	2	3	4	2	6	1	7	2	4	6	5	14	13	8	18	96	208	3.03
Mining	1	2	2	3	3	3	3	2	3	3	1	7	6	5	10	11	6	13	12	48	144	2.97
Construction	8	4	2	3	5	5	11	8	15	13	9	23	28	53	75	88	171	170	245	609	1,611	3.31
Manufact.	5	12	12	4	13	4	7	4	14	8	9	19	12	27	21	25	32	35	45	112	420	2.89
T-C-U	29	34	31	22	26	26	36	25	39	27	30	41	47	60	40	40	70	51	65	181	938	2.61
Trade	77	99	90	85	119	88	154	116	160	132	128	208	215	307	240	255	222	173	160	518	3,550	2.57
Wholesale	25	31	21	21	37	16	40	30	42	28	31	52	38	70	49	62	40	28	30	214	905	2.60
Retail	52	68	75	64	82	72	114	86	124	104	95	156	177	237	191	193	182	145	130	304	2,651	2.56
F.I.R.E.	50	45	38	24	45	25	37	28	39	34	44	47	48	64	50	36	35	24	25	37	775	2.16
Services	224	223	187	97	187	130	217	165	240	179	160	247	245	357	268	324	332	219	235	732	4,068	2.48
Pub. Admin.	1	6	3	6	4	1	4	4	3	9	2	10	13	12	15	15	13	4	0	0	125	2.45
Total Firms	409	431	379	246	404	286	477	356	528	409	388	604	618	902	737	617	899	709	807	2424	12,830	2.63

A-Rated Employers 1996 Firms 2000 Rates

Rate Class	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	total	Average Tax Rate
	Tax Rates	1.00	1.00	1.08	1.21	1.34	1.40	1.59	1.85	2.10	2.38	2.38	2.01	2.87	3.13	3.25	3.38	3.51	3.64	3.77		
Unclassified	7	2	3	1	0	1	4	2	3	3	0	0	0	5	7	3	5	6	2	31	85	2.99
Ag-For-Fish	7	4	5	1	2	3	4	2	6	1	7	2	4	6	5	14	13	8	18	90	208	3.28
Mining	1	2	2	3	3	3	3	2	3	3	1	7	6	6	10	11	6	13	12	48	144	3.21
Construction	8	4	2	3	5	5	11	8	15	13	9	23	28	53	75	88	171	170	245	609	1,011	3.58
Manufact.	5	12	12	4	13	4	7	4	14	8	9	19	12	27	21	25	32	35	45	112	420	3.12
T-C-U	29	34	31	22	20	20	30	25	39	27	30	41	47	66	46	46	70	51	65	181	938	2.82
Trade	77	99	96	85	119	88	154	116	160	132	120	208	215	307	240	255	222	173	160	518	3,550	2.78
Wholesale	25	31	21	21	37	10	40	30	42	28	31	52	38	70	49	62	40	28	30	214	905	2.81
Retail	52	68	75	64	82	72	114	86	124	104	95	156	177	237	191	193	182	145	130	304	2,051	2.77
F.I.R.E.	50	45	38	24	45	25	37	28	39	34	44	47	48	64	50	36	35	24	25	37	775	2.36
Services	224	223	187	97	187	130	217	165	240	179	160	247	245	357	268	324	332	219	235	732	4,968	2.67
Pub. Admin.	1	6	3	6	4	1	4	4		9	2	10	13	12	15	15	13	4	0	0	125	2.65
Total Firms	409	431	379	246	404	280	477	356	528	409	388	604	618	902	737	817	899	709	807	2424	12,030	2.84

A-Rated Employers 1996 Firms

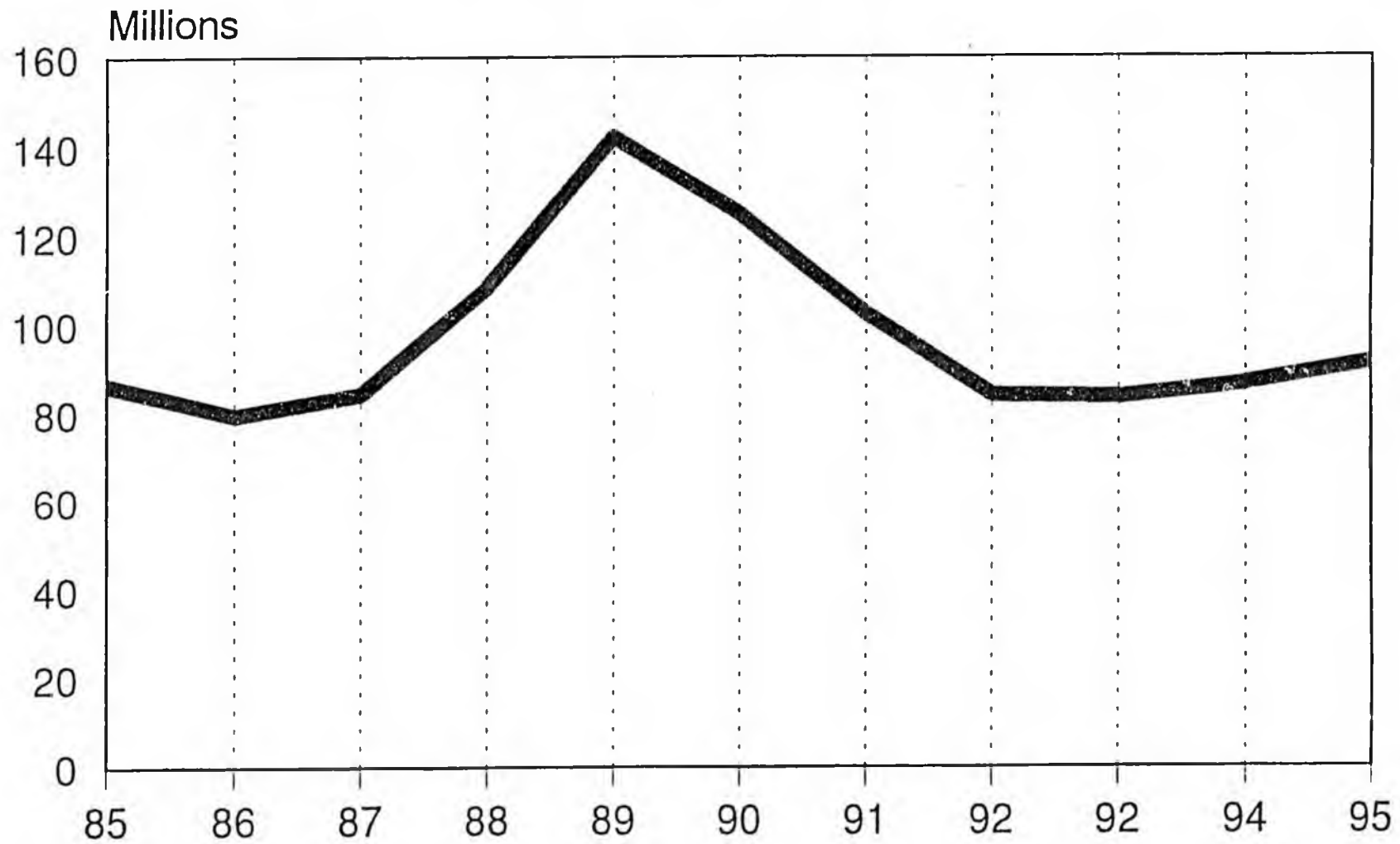
Difference in Tax Rates 1996 to 2000

Rate Class	Change in Tax Rates																				total	% Change in Average Tax Rate	\$ 1996 Taxable Wage Base	\$ Change in Tax Cost
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20				
Unclassified	7	2	3	1	0	1	4	2	3	3	0	0	0	5	7	3	5	6	2	31	85	0.22	24,400	53.00
Ag-For-Fish	7	4	5	1	2	3	4	2	6	1	7	2	4	6	6	14	13	8	18	90	208	0.25	24,400	61.00
Mining	1	2	2	3	3	3	3	2	3	3	1	7	6	5	10	11	6	13	12	48	144	0.24	24,400	58.50
Constructon	8	4	2	3	5	5	11	8	15	13	9	23	28	53	75	88	171	176	245	069	1,811	0.27	24,400	65.88
Manufact.	5	12	12	4	13	4	7	4	14	8	0	19	12	27	21	25	32	35	45	112	420	0.23	24,400	50.12
T-C-U	29	34	31	22	26	28	30	25	39	27	30	41	47	66	46	46	70	51	65	181	938	0.21	24,400	51.24
Trade	77	99	96	85	119	88	164	118	160	132	128	208	215	307	240	255	222	173	100	518	3,553	0.21	24,400	51.24
Wholesale	25	31	21	21	37	16	40	30	42	28	31	52	38	70	49	62	40	28	30	214	905	0.21	24,400	51.24
Retail	52	68	75	64	82	72	114	80	124	104	95	150	177	237	191	103	182	145	130	304	2,651	0.21	24,400	51.24
F.I.R.E.	50	45	38	24	45	25	37	28	39	34	44	47	48	64	50	30	35	24	25	37	775	0.17	24,400	41.40
Services	224	223	187	97	187	130	217	165	240	179	160	247	245	357	268	324	332	219	235	732	4,968	0.19	24,400	40.36
Pub. Admin.	1	6	3	6	4	1	4	4	3	9	2	10	13	12	15	15	13	4	0	0	125	0.20	24,400	48.80
Total Firms	409	431	379	240	404	286	477	356	528	409	388	604	618	902	737	817	899	709	807	2424	12,830	0.21	24,400	51.24

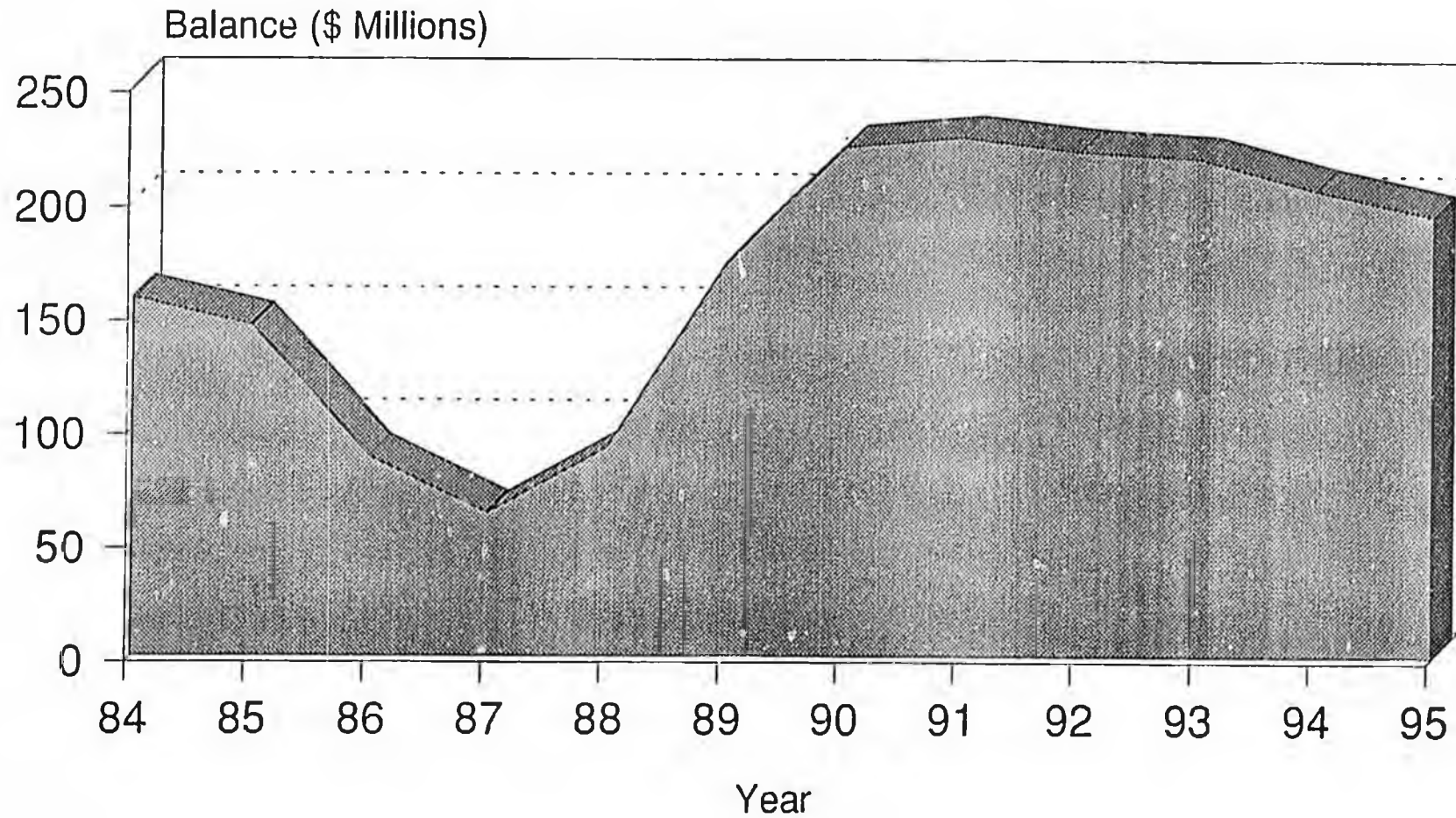
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Alaska Employer and Employee Contributions to the U.I. Trust Fund



UI Trust Fund, End of Year Balance, 1984-1995



Source: Alaska Department of Labor,
Research & Analysis.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 483

Revision Date: _____
 Title: Calculation of Unemployment Insurance Benefits
 Sponsor: Rules Committee
 Requestor: House Labor & Commerce

Department Affected: All
 BRU: All
 Component: All

COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	186.4	407.0	462.8	514.3	571.4	634.3
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	186.4 *	407.0 *	462.8 *	514.3 *	571.4 *	634.3 *

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts	23.6	51.5	58.6	65.1	72.3	80.3
1003 GF Match						
1004 GF	107.2	234.2	266.3	295.9	328.8	364.9
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other	55.6	121.3	137.9	153.3	170.3	189.1
TOTAL	186.4 *	407.0 *	462.8 *	514.3 *	571.4 *	634.3 *

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

The bill revises the unemployment insurance weekly benefit amount schedule, so that the maximum benefit amount for a calendar year is based on the taxable wage base in effect for that year. The personal services impact is the state portion of the increased benefit payments, i.e., that portion which goes to ex-state employees. Impacts for FY 2001-2002 is extrapolated from data for FY 97-2000. An effective date of January 1, 1997 is assumed.

- * The department is not seeking an additional appropriation. Amounts shown are additional charges against payroll which will occur quarterly as claims are filed. Current UI reimbursements for ex-state employees are .85% of payroll. The new benefit schedule would increase reimbursements less than .1%.

Prepared by: Rebecca Nance, Director Phone: 465-2712
 Division: Employment Security Division Date: 2/27/96
 Approved by Commissioner: Tom Cashen, Commissioner
 Agency: Department of Labor Date: 2/27/96

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SPONSOR STATEMENT

For years, the unemployment insurance system has enabled Alaskan workers, their families, and their communities to weather periods of unemployment with their economic well-being and dignity intact. Recent events in Sitka and Wrangell, as well as in other areas of the state affected by plant closures or layoffs, have demonstrated all too well the importance of this safety net for our working men and women.

The schedule of benefits for unemployment insurance has not been adjusted to increase the maximum weekly benefit amount since 1990. Alaska currently ranks 49th in the nation in unemployment insurance wage replacement, with the average weekly benefit amount only slightly more than 27 percent of the average weekly wage for the state. In terms of the maximum weekly benefit amount, Alaska ranks 35th in the nation, notwithstanding the higher cost of living here.

The current benefit schedule uses a worker's yearly wage to determine the weekly benefit amount. The minimum qualifying wage amount is \$1,000, which provides a weekly unemployment insurance benefit amount of \$44. For each \$250 a worker earns over \$1,000, two dollars is added to the benefit amount. Weekly benefits are now capped at \$212, based on maximum wages of \$22,250.

This bill would keep the current benefit schedule in place but would replace the current fixed cap with a flexible cap. The new

cap on wages would be 75 percent of the average annual Alaska wage, exactly the same as the wage base on which employers and workers are taxed to support the system. Bringing the maximum qualifying wages up to the wage base would raise the maximum benefit amount from \$212 to \$238 in 1997. The average cost to employers in the year 2000 will be approximately one dollar per employee per week.

Thirty-five states use a flexible benefits standard driven by changes in the average weekly wage. The advantage of such a system is that it integrates the benefit standard into the self adjusting unemployment trust fund formula, which is directly tied to the performance of the state's economy. As average wages rise, the standard for unemployment insurance benefits keeps pace in terms of income replacement. If wages fall, as they did during the 1986-1987 recession, the maximum weekly benefit decreases and the employer tax burden decreases.

I want to emphasize that this is a modest proposal. The bill would raise Alaska's wage replacement less than one percent, to a little over 28 percent. While not enough to change our wage replacement ranking among the states, this small change would provide a measure of additional security to Alaska's average wage earners and help slow the erosion of purchasing power during hard times.

As we work together to strengthen Alaska's economy to provide quality jobs for Alaska's families and to move certain low-income people from welfare to work, we must ensure that there is an

adequate safety net in place to allow unemployed workers sufficient finances to remain in their homes, in their communities, and in Alaska until they are reemployed.

HB

487

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE CAREN ROBINSON

SPONSOR STATEMENT

House Bill 487 Landlord/Tenant Trailer Park Issues

A dissenting opinion in a 1995 Alaska Supreme Court ruling related to evictions under the current Landlord/Tenant Law found that the current law was "unnecessarily harsh" to mobile home owners because of its extremely adverse effects on those home owners. House Bill 487 attempts to address that inequity by, among other things, restating the Legislature's intent regarding the particular problems faced by mobile home owners when it passed the Landlord/Tenant Act.

House Bill 487 amends current law in three specific ways:

1. Allows the court to take into consideration whether the landlord was acting in good faith in evicting the home owner. The 1995 Supreme Court decision found that as long as the landlord complied with the letter of the law, judges could not consider whether the landlord was motivated by a dishonest purpose or by a reason different than the one expressed for the eviction.
2. Requires landlords to serve an eviction notice in one of three specific ways: by securely posting the notice on the main entrance of the premises; by certified or registered mail; or by personally serving the notice to an adult member of the household. The current language which permits "posting" the notice on the property is fairly vague and could be interpreted to mean leaving it on a

State Capitol, Room 114
Juneau, AK 99801-1182
Representative_Caren_Robinson@legis.state.ak

(907) 465-3744
Fax 465-2273



porch railing. In addition, there have been unfortunate instances in which the notice was given to a child and was lost or destroyed before the home owner even became aware that a notice had been posted. A document as important as an eviction notice merits special handling.

3. Requires the court to at least ask how long it might take a home owner to sell or relocate the home after the owner has been evicted, and to specify that time period in the judgment for eviction., provided that rent is paid during that time period. Relocating a mobile can be difficult - even impossible - because of lack of rental space or due to the fragility of the home. Giving the court flexibility in determining an appropriate time frame is beneficial to both the landlord and the home owner.

The Legislature recognized the special problems of mobile home owners who rent space in trailer parks by including specific provisions in the Landlord/Tenant Act. House Bill 487 attempts to more clearly define those provisions and to ensure protections for both landlords and home owners.

ALASKA MANUFACTURED HOUSING ASSOCIATION

February 22, 1996

Rep. Peter Kott, Chairman
House Labor & Commerce Committee
AK State Legislature
State Capitol
Juneau, AK 99801-1182

Re: HB 487

Dear Rep. Kott:

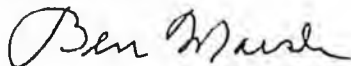
HB 487 was introduced 2/9/96 by Rep. Caren Robinson and it has been referred to the Labor & Commerce Committee. The Alaska Manufactured Housing Association wishes to register its opposition to this bill and to ask you to defeat it.

HB 487 would radically change the Alaska Landlord Tenant Act as it pertains to evictions, but only for mobile home parks. Under the current Act, evictions from mobile home parks can be made for only four reasons which are specifically set forth. The language of HB 487 would further restrict the rights of owners by making it practically impossible to evict under any circumstances.

We feel this bill is highly discriminatory against one class of property owners. It would unreasonably confiscate property value by taking away an owner's control over his own property.

If this bill is scheduled for hearing by your committee, please advise us as early as possible so we can arrange to appear in opposition.

Sincerely,



Bernard L. Marsh
Executive Secretary

BLM:ckf

HB

490

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 490

Revision Date: _____
Title: Financial Assistance to BIDCO's

Department: Commerce and Economic Development
BRU: Banking, Securities and Corporations
Component: Banking, Securities and Corporations

Sponsor: Representative B. Davis
Requestor: _____

COMPONENT SERIAL NO. 1233

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
---------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS

FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations
Approved by Commissioner: William L. Hensley
Agency: Commerce and Economic Development

Phone: 465-2521
Date: 2-27-96
Date: 2-27-96

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ALASKA STATE LEGISLATURE

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CO-CHAIR
ANCHORAGE CAUCUS
JUDICIARY
OIL & GAS
LEGISLATIVE COUNCIL

REPRESENTATIVE BETTYE DAVIS

DISTRICT 21

SPONSOR STATEMENT

HB 490: Extending the sunset date; and authorizing the Alaska Science and Technology Foundation to make grants to BIDCOs

Under current law, the ability of the Alaska Science and Technology Foundation to authorize new financial assistance without legislative approval will sunset on June 30, 1996. HB 490 would extend the sunset date to June 30, 2000.

The 18th Legislature appropriated \$3 million to establish a BIDCO (Business and Industrial Development Corporation Act) fund, but Governor Hickel vetoed \$2 million and no additional appropriations have been made. The BIDCO fund has thus been severely underfunded since it was established in 1992.

A successful BIDCO generally requires about \$3,000,000 - \$5,000,000 in capitalization. Both the state and the private sector have determined that the \$1,000,000 in the BIDCO fund is not enough to allow an otherwise acceptable request for proposal to be funded. HB 490 would authorize the Alaska Science and Technology Foundation to make grants to BIDCOs, thus overcoming this funding obstacle.

BIDCOs provide emerging, small and medium size businesses with financing, management support and technical assistance. BIDCOs provide flexible financing for businesses with economically-sound financing needs, but which are considered too risky by conventional lenders. BIDCOs compensate for taking greater risks by providing a much greater degree of hands-on support and management assistance, thus reducing the risk and facilitating the growth of their portfolio companies. Incentives are also included to assist businesses that are minority-owned or located in distressed areas.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 16, 1996

SUBJECT: Sectional Summary of HB 490
(Work Order No. 9-LS1652\C)

TO: Representative Betty Davis
Attn: Jonathan Sperber

FROM: *JB*
Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Adds a reference to the new BIDCO endowment grant section created by sec. 9 of this bill. Allows the net income from the Alaska science and technology endowment to be used for the BIDCO endowment grants.

Section 2. Adds a reference to the new BIDCO endowment grant section created by sec. 9 of this bill. Includes BIDCO endowment grants in the grants that are to be made by the board of directors of the Alaska Science and Technology Foundation.

Section 3. Adds a reference to grants under the new BIDCO endowment grant section in sec. 9 of this bill. Removes BIDCO endowment grants from the preference established under the section.

Section 4. Adds a reference to the new BIDCO endowment grant section in sec. 9 of this bill. Removes the BIDCO endowment grants from the peer review requirement established by the section.

Section 5. Adds a reference to the new BIDCO endowment grant section in sec. 9 of this bill. Removes the BIDCO endowment grant awards from the consistency requirement of the section.

Section 6. Adds a reference to grants awarded under the new BIDCO endowment grant section. Removes the BIDCO endowment grants from the fiscal year distribution requirements of the section.

Representative Betty Davis

February 16, 1996

Page 2

Section 7. Adds a reference to the new BIDCO endowment grant section. Applies to the BIDCO endowment grants the requirement, among other things, that the grantor pay into the endowment a fair and reasonable return from revenue, economic value, or profits derived by the grantee from the grant project.

Section 8. Extends until June 30, 2000 the authority of the foundation to authorize new financial assistance under the BIDCO assistance program provisions without legislative approval.

Section 9. Authorizes the Alaska Science and Technology Foundation to make grants from the Alaska science and technology endowment to accomplish the purposes of AS 37.17.200.

If I may be of further assistance, please advise.

TLB:klb:pl

96-105.klb

RECEIVED

FEB 29 1996

Ans'd.....

Position Paper on BIDCOs

What are BIDCOs?

Business Investment Development Companies (BIDCOs) are private sector financial institutions structured to serve the middle risk market financing businesses through a combination of debt and equity investments. BIDCOs generally finance a broader range of deals than are eligible for only equity or venture capital investment and riskier deals than can be financed by banks doing asset-based lending. The BIDCO legislation passed by the Alaska legislature was modeled from Michigan where public funds were matched 2-1 by private investors to capitalize twelve BIDCOs at \$5-12 million apiece. Based on their performance, most BIDCOs in Michigan have now had a second round of capitalization by banks and other investors to total more than \$200 million in capitalization.

The state funds lower the risk needed to attract private investors to providing startup and earlier-stage financing. The loan is structured in the form of an interest-bearing loan with credits earned to forgive the loan based on the jobs and sales increases in the businesses invested in by the BIDCO.

Legislative and ASTF History

Originally, \$3 million in state funds were requested but when the BIDCO Assistance Program was passed (AS 37.17.200) in 1994 only \$1 million earmarked from Alaska Science and Technology Foundation (ASTF) earnings was appropriated. The legislation provided for a minimal private investment of \$500,000 match. The \$1 million in the BIDCO fund is to lapse on June 30, 1996, unless extended by the legislature.

ASTF issued an RFP to form a BIDCO and in October 1995 both final proposals were turned down because neither finalist could pledge the minimal \$500,000 to launch a BIDCO. Spreadsheet analysis showed that \$1.5 million is too small a capitalization to cover the administrative expenses of managing a risk capital institution and providing the hands-on management assistance required in startup ventures, processor turnarounds, and other BIDCO client investments.

At its February 23, 1996, meeting, the ASTF Board decided that establishing a BIDCO was sufficiently important to its mission to develop the technology infrastructure of the state that an additional \$2 million in ASTF earnings should be pledged to be matched 1-1 by a private sector. This would provide the \$6 million in capitalization which ASTF believes is the minimal size to establish a BIDCO.

The Case for BIDCOs

A number of reasons have been identified for the importance of establishing BIDCOs:

1. There is a thin infrastructure in the state which is experienced and able to do prebankable risk capital financing. The growth of an increasing number of technology-based firms and innovative natural resource processing firms is limited in a state with little risk capital available. It is also important to establish firms in Alaska with the experience and capability in putting together debt-equity deals and the management of such enterprises.
2. Many programs to provide business development capital provide unleveraged public funds with decision making in the public sector. BIDCOs have the opposite intent; they use public funds to attract private sector management to risk their own capital and build a permanent private sector financial institution.
3. The state loan is performance based. Credits to pay off the loan are earned by increased sales and payroll in Alaska for the first five years after BIDCO investment in an Alaskan firm. To recognize the additional costs of doing deals in Alaska in rural Alaska and the presence of few minority-owned firms, smaller additional credits are available for those types of deals. Since no

credits are earned for BIDCO investment in firms which do not increase sales and jobs, there is no incentive for the BIDCO to invest in a business which is not expected to succeed.

4. The cost of BIDCO loans are priced to insure that BIDCO deals represent investment which would not have otherwise occurred. A firm which could qualify for lower rate bank financing would take it rather than pay the 20% return on investment represented by a loan with the expected above prime interest rate plus additional warrant or equity. The price of a BIDCO loan reflects the higher reward necessary for a private investor to accept the higher risk of a firm with a promising growth potential but insufficient assets to qualify for bank financing.
5. The program can be administered in a nonbureaucratic way. The Michigan experience was to audit annually the firms to calculate the credits earned through increased payroll in the state and sales.

Next Steps

In order for ASTF to capitalize a BIDCO, the legislature should amend the ASTF statute to extend the June 30, 1996, sunset provision of BIDCO funds to June 30, 2000. Proposed statute changes would also exempt the BIDCO grant from the \$100,000 limitation of AS 37.17.090(d).

It is also suggested that the title to HB490 be "An Act relating to the BIDCO assistance program" to avoid any misunderstandings as to purpose.

HB

497

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: February 12, 1996

FURTHER REFERRALS:

Date of Committee Action: 3-25-96

The LABOR AND COMMERCE Committee considered:

HB 497

HOUSE BILL NO. 497

CHIROPRACTIC PEER REVIEW

"An Act relating to chiropractic peer review; and providing for an effective date."

recommends it be replaced with the following committee substitute [] the same title [] a new title

[] additional referral to [] attached amendment(s) Committee

ADOPTS: Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) [] fiscal note(s)

[X] zero fiscal note(s) CED (3-20-96) [] zero fiscal note(s)

Table with 5 columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Rows include signatures: Pete Dett, [unclear], K. J. [unclear], Gene Kubena, Gary Sanders.

CHAIR'S SIGNATURE Pete Dett

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 497

Revision Date: _____
 Title: An Act relating to chiropractic peer review, and
providing for an effective date.
 Sponsor: Representative Mulder
 Requestor: (H)L&C

Department: Commerce and Economic Development
 BRU: Occupational Licensing
 Component: Operations

COMPONENT SERIAL NO. _____ 1844

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES						
--------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other 1091 Designated PR						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 HB 497 amends the chiropractic peer review statutes to provide immunity for all members of a peer review committee, exempts patient records from the open records statutes, and requires committee members to maintain confidentiality of patient records. New funds are not required to implement this bill.

Prepared by: Jennifer Strickler, Administrative Officer
 Division: Occupational Licensing
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 465-2144
 Date: March 20, 1996
 Date: 3/20/96

Sponsor Statement
House Bill 497
by Representative Eldon Mulder

The Chiropractic Peer Review Committee was formed by the Board of Chiropractic Examiners in 1994 pursuant to statute 08.20.185(a), the statute we are proposing to amend today with this bill. The initial Peer Review Committee consisted of three chiropractors. The board then added a lay person to the committee. Under current statute, only the chiropractors on the committee have immunity for decisions they make as committee members. The lay person does not have immunity for those same decisions. House Bill 497 would extend immunity to the lay person by extending immunity to all members of the committee.

HB

501

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 1
Bill Version: HB 501
(H) Publish Date: 2/28/96

Title: Competition in local phone svc
Sponsor: _____
Requestor: Rep Theriault

Dept. Affected: Commerce
BRU: _____
Components: _____
Serial #: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0					
---------	---	--	--	--	--	--

REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

see attached analysis

H. State Affairs fiscal note

Prepared by:

Walt Wilcox
H. State Affairs
Committee A.G.

Date: 2-26-96

Phone: 3743

Phone: _____



600 Telephone Avenue • Anchorage, Alaska • 99503-6091 • 907 564-1380 • Fax 907 563-2688

EXECUTIVE OFFICES

March 19, 1996

Hon. Jerry Sanders
Alaska State Legislature
State Capitol, Room 414
Juneau, Alaska 99801-1182

Dear Jerry:

I just returned from the offices of the Alaska Public Utilities Commission where I observed the work session between the commission and the subcommittee on telecommunications which you chair. I appreciate the initiative you and your colleagues have shown in attempting to sort out the confusing issues involved in the telecommunications bills before you. However, I felt it necessary to correct at least one error which I believe was left with the subcommittee and to emphasize one point which you raised.

I believe you asked a question to the effect: "How would the two bills (H.B. 501 and H.B. 531) affect the application of AT&T to provide local service in competition to ~~ATU~~?" You were given two pieces of incorrect information in reply.

First, you were told that H.B. 501 would have no effect. The correct answer is quite the opposite. Section 251(f)(2) of the federal Telecommunications Act of 1996 gives companies such as ATU the right to seek suspensions and modifications of the requirements for interconnection. In order to do so, we must demonstrate that such a suspension or modification is in the public interest. H.B. 501 would take that determination away from the APUC by simply mandating that the public interest always, under all circumstances, lies with competition.

Second, you were told that H.B. 531 would restrict AT&T's ability to enter into local competition. Apparently, the sections in H.B. 531 referring to rural local companies were misconstrued to refer to ATU. In fact, the only impact H.B. 531 on AT&T's entry into local competition in Anchorage would be to allow ATU pricing flexibility in order to be an effective competitor.

The issue of pricing flexibility was raised by Commissioner Cotten in today's discussion and you followed up with a question. You inquired as to the length of time required for ATU to change its rates versus a competitor. The answer you received was, in my opinion, sufficiently vague and qualified as to be inaccurate. The answer is a competitor, be it AT&T or any other entity, will be able to change its rates on short notice; ATU, under current statutes and regulations, will be required to go through a lengthy rate proceeding which may last from six months to a year or more in order to change rates.

It is exactly this situation which led ATU to introduce its bill last spring and to include language providing for pricing flexibility and even deregulation under certain circumstances in H.B. 531. Federal law has left a void in this area. To decline to allow pricing flexibility to existing local companies is to hold down those local companies while the competitors skin us.

ATU has asked the legislature for relief because in today's competitive world we don't have time to wait six months, or nine months, or a year for the regulatory process to come up with new rules. We also can not afford the sort of dominant/non dominant regulatory system described to you by the APUC staff today. The system referred to by staff would have ATU classified as dominant and, hence, more closely regulated, with AT&T classified as non dominant with little or no regulation. Such a system would be comparable to taking David's stones away and letting him slap Goliath on the knee with an empty sling.

Again, thank you for taking the initiative to look into these issues. I look forward to further discussions. Should you have any further questions, please give me a call at 564-1212.

Sincerely,



Gordon Parker
Director, Carrier Relations & Public Policy

cc: Rep. Pete Kott
Rep. Brian Porter
Rep. Gene Kubina

GP/lmk



AKPIRG

ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 101093 / Anchorage, Alaska 99510-1093

(907) 278-3661 FAX (907) 278-9300

March 26, 1996

The Honorable Brian Porter
Speaker, Alaska State House of Representatives
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Porter:

RE: HB 501 and HB 531

The Alaska 2001 Report prepared by the Alaska Public Utilities Commission (APUC) includes a statement concerning universal service goals for all Alaskans from the Alaska Public Interest Research Group (AKPIRG). Public interest concerns are cited by U. S. Senator Ted Stevens in a February 15, 1996 letter to Jack H. Rhyner (President, TelAlaska, Inc.) wherein he states the need to protect rural consumers according to the Telecommunications Act of 1996.

A House Labor and Commerce subcommittee is meeting today to address HB 531 and HB 501. ~~Universal service goals required by AKPIRG are supported in HB 531 which allows competitive service provision while requiring a public interest determination regulated by APUC.~~ Therefore, AKPIRG wishes to go on record as being in favor of the passage of HB 531.

Conversely, AKPIRG views HB 501 as grossly inadequate. This proposed legislation provides for competition but without the public interest protections afforded through HB 531. Therefore, AKPIRG strongly opposes the passage of HB 501.

Recently APUC has been so overwhelmed with federal regulation mandates that it has been unable to provide opinions on pending legislation. It is crucial that the legislature furnish direction to APUC and that APUC responds in a timely manner to FCC mandates. Therefore, in the public interest, the importance of passing HB 531 during this session cannot be overemphasized.

Sincerely,

Alaska Public Interest Research Group


Stephen Conn, Esq.
Executive Director



AKPIRG

ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 101093 / Anchorage, Alaska 99510-1093

(907) 278-3661 FAX (907) 278-9300

Alaska 2001 Comments

September 15, 1995

Universal service is a core issue and driving force in the development of telecommunications policy on the state and federal levels. The National Regulatory Research Institute published a report on a nationwide debate over universal service in June, 1994 stating, "What commission policies, actions, and rules would have taken place without universal service goals? The answer is, few." Alaska's public policy concerning access to vital information technology will determine the scope of societal benefits in business, education, health care, employment, political participation, and communication. As we shift toward an information-based economy, the need to utilize technology will be essential for all Alaskans in order to achieve social, political, and economic participation locally and globally. Universal service must be guaranteed as a basic right for citizens to achieve full participation in society; it merits an Alaska state constitutional amendment which would secure the right of access to information technology for all Alaskans regardless of the changing market forces, or shifting government policies.

The old social definition of universal service from the predivestiture period is outdated due to changes in technology, customer demands, and market structure. The previous policy of universal service from the Communications Act of 1934 was based on a monopoly market with mechanisms in place to provide telephones for all Americans with reasonable rates, and rapid, efficient, nation-wide service. Now that the market is open to competition, it is clear that new funding mechanisms must be designed to meet new universal service goals for the 21st Century. The operational definition of universal service is a dynamic concept which will need to be revisited at prescribed intervals, and by petition to the Alaska Public Utilities Commission (APUC) and Alaska Legislature.

While technology has a potential for leveling the social landscape, there are presently barriers to participation due to race, age, location, and education. By

addressing these problems in Alaska we can avoid creating a gap between technological haves and have-nots, and the social problems that experts predict would result. In Alaskan terms, telecommunications can cut high transportation costs, create economic opportunities, and diversify the economy for all Alaskans as the oil industry is declining. The provision of cost-free, user-friendly government information on-line will improve the democratic process in Alaska where vast distances separate Alaskans from their government. Statewide business, health care, and education can be enhanced by interactive media which will need subsidies during the transition to new technologies. Both rural and urban poor, as well as the disabled and elderly, need access to information technology to avoid creating a class of Informationally disadvantaged citizens.

Meeting the challenges of developing the infrastructure, and of constructing large "information pipelines" throughout Alaska is not enough. Consumer information and participation is essential in planning Alaska's telecommunications future. We must ensure that consumers both understand and can afford the tools or applications necessary to exchange and use information through consumer training and affordable, useful equipment. Libraries, schools, and the Alaska 2001's proposed Information Clearinghouse will be instrumental in this task.

The US Commerce Department's Larry Irving, Director of the National Technology and Information Administration stated (May, 1995) that consumers need a bill of rights reflected in telecommunications reform legislation which would include:

- 1) The right to reasonable telephone and cable rates.
- 2) The right to a choice of providers of telephone and cable services.
- 3) The right to buy equipment at affordable prices.
- 4) The right to diversity and localism in ownership of community media.
- 5) The right to privacy.
- 6) The right to affordable access to basic telecommunications and information services.

Public hearings will be needed so that Alaskans can have input into the proceedings such as the Federal Joint Board. Consumer advocacy will be an important facet of quality control of telecommunications, and can be improved in Alaska through a Citizen's Utility Board which works in conjunction with the APUC for the public interest.

The Alaska 2001 report recommends achieving telephone subscription levels in rural communities comparable to telephone subscribership levels in urban areas. The report states that Alaska Native communities fall far below the

national average for telephone subscription. Alaska's Local Exchange Companies (LECs) have declined (except the Anchorage Telephone Utility or ATU) to participate in federal Lifeline and Link-Up program, a possible source of federal support for telephone service. This situation should be reviewed, and Alaska Statute AS 42.05.306 which prevents the APUC from requiring utilities to participate in these federal programs should be amended. If LECs participating in the APUC's State Modernization Plan do not increase subscribership in a rural community they should be required to establish a community access center so that some point of access to Internet and other information sources exists in every community.

America's commitment to universal service in communications began with Benjamin Franklin's determination to provide affordable, speedy, extensive mail service to the United States and England through the US Postal Service. This principle has evolved today into universal access to information technology as a necessity for a democratic society; it must be safeguarded by government regulation and by shared societal responsibility. The social, political, and economic benefits of telecommunications must be mandated by public policy in order to secure universal service goals as guiding principles for Alaska's future telecommunications infrastructure.

Submitted by:

Steve Corn, AkPIRG Executive Director
Juanita Cassellius, Consumer Advocate



Cordova Telephone Cooperative
P.O. Box 459 • Cordova, Alaska 99574
(907) 424-2345 Fax (907) 424-2344

George

March 26, 1996

Honorable Pete Kott
Alaska Legislature
Juneau, AK 99801-1182

RE: In Support of HB531

Dear Representative Kott:

The recently passed federal telecommunications legislation has dramatically changed the regulatory environment for local telephone companies by opening formally monopolistic enclaves to competition.

In Cordova, we hope to share all of the benefits inherent in new technology and touted by the proponents of the federal legislation. Customers in our rural location, even more than those in urban areas, can profit through the use of the telecommunications network. However, we must not be disconnected from that network.

~~Flying in the face of considerations granted to rural areas in the federal act, HB501 proposes to eliminate a state public interest determination prior to the advent of competition.~~ I question what entity's interest is served by disregarding the interest of Alaskans. In rural areas that are not able to support more than one local telephone company, competition may drive rates so high that customers will be forced to drop off the network. Please insure that rural areas are accorded a public interest determination to avoid that result.

HB531 encourages competition and recognizes that the change in federal law puts many responsibilities on state commissions. Especially with our unique challenges of geography and environment, we do not want the Federal Communications Commission to preempt state authority due to its inaction. Although Cordova Telephone Cooperative is not regulated by the commission, we recognize that our member-owners will not be served by a state agency that does not set policy in a timely manner.

Federal legislation has been passed. The Alaska Public Utilities Commission needs direction from the legislature and Alaskans need state legislation this session. Respectfully I ask your support for HB531.

Sincerely,

Ruth A. Steele

Ruth A. Steele
General Manager

cc: Hon. Gail Phillips
Hon. Jerry Sanders
Hon. Gene Kubina
Hon. Brian S. Porter

TUD STEVENS, ALASKA
 THOMAS BOOZ BARR, ARIZONA
 ARLEN BENTON, ARIZONA
 PETE H. BOWEN, ARIZONA
 PAUL BRANNE, TEXAS
 CHARLOTTE B. BROWN, MICHIGAN
 BLAKE BENTON, MISSISSIPPI
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 J. ROBERT BERRY, MISSISSIPPI
 JOHN H. ROSS, MISSISSIPPI
 PATTY MURPHY, WASHINGTON

JIMMY H. HENRY, STAFF DIRECTOR
 JAMES E. BRADY, SENIORITY STAFF DIRECTOR

United States Senate
 COMMITTEE ON APPROPRIATIONS
 WASHINGTON, DC 20510-8025

February 15, 1996

George

Jack H. Rhyner
 President
 TelAlaska, Inc.
 2121 Abbott Road
 Anchorage, Alaska 99507

Post-Net Fax Note	7671	Date	1/23/96
To	Kathryn	From	Jim
Co/Dupl	0	Co	
Phone #		Phone #	
Fax #		Fax #	

Dear Jack:

Thanks for your comments on the universal service provisions - as you know, this has been a difficult issue over the years. I worked with the USTA and rural carriers to address many of the concerns you raised, and believe the final agreement protects rural consumers.

S.652, the Telecommunications Act of 1996 was passed on February 1, 1996 by overwhelming margins and was signed into law by the President on February 8, 1996.

New Section 214(a)(1) of the Communications Act of 1934 states that a common carrier designated as an "eligible telecommunications carrier" must offer the services included in the definition of universal service throughout the area specified by the State commission. Once a carrier is designated, that carrier is eligible for specific support as provided under new Section 254 of the Communications Act. If multiple common carriers that meet the requirements of section 214(a)(1) request to be designated as "eligible" then the State commission must designate the requesting carriers as "eligible"; except when, the area for which the carrier requests designation is already served by a rural telephone company. In that case the State commission must first decide that it is in the public interest to make an additional designation before conferring eligible status on more than one carrier.

You will also be glad to know that S.652 requires both intrastate and interstate toll rate averaging. I am enclosing a copy of S.652, as enacted, for you to review.

With best wishes,

Cordially,

 TED STEVENS

MAR 26 '96 01:42PM ALASKA

P.5/6

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
Tony Knowles, Governor
William L. Hensley, Commissioner

ALASKA PUBLIC UTILITIES COMMISSION

1016 West 6th Avenue Suite 400
Anchorage Alaska 99501

Phone (907) 276-6222

Fax (907) 276-0160

FAX COVER SHEET

Number of pages (including cover sheet)

Date: March 29, 1996

Time: 3:00 p.m.

Transmittal Fax Number: (907) 465-2819

To: Rep. Pete Kott
Attn: George Dozier
Legislative Director

From: Bob Lohr
Executive Director

Subj: Comparison of Key Issues: HB 501, HB 531, Federal
Telecommunications Act of 1996

Comments: Would it be possible for you to distribute this information to committee members? I assume that it would be of particular interest to Telecommunications Subcommittee members. Thanks in advance.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT1016 WEST SIXTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501-1903
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ALASKA PUBLIC UTILITIES COMMISSION

March 29, 1996

To: House Labor and Commerce Committee
Alaska State Legislature

Fr: Robert A. Lohr, Executive Director
Alaska Public Utilities Commission

Re: Comparison of Key Issues in the Three Telecommunications Bills: Telecommunications Act of 1996 (federal Act); HB 501; HB 531

Common Carrier Specialists Lew Craig and Philip Treuer prepared the attached side-by-side table comparing the Telecommunications Act of 1996, HB501 and HB531. The table is not an analysis of the bills; it is intended as merely an aid in comparing key issues addressed by one or more of the bills. The table follows the outline below.

The Commission has adopted fiscal notes for each state bill, as originally introduced. The Commission's estimated cost of implementing HB 501 was \$135.9 and for HB 531 was \$472.6. The Commission later determined that the net cost of implementing the federal Act will be \$401.1. The Commission has not yet assessed the extent to which the costs of carrying out the federal Act may duplicate costs included in the fiscal notes for either HB 501 or HB 531. If a Committee Substitute is adopted for either bill, the Commission expects to revise downward its fiscal note(s).

Outline of Key Telecommunications IssuesInterconnection

- Duties and Obligations of Carriers, Local Exchange Carriers (LEC) and Incumbent LECs
- Negotiation Procedures for Agreements
- Exemptions for Rural Telephone Companies
- Suspensions and Modifications for LECs
- Pricing Flexibility
- Cross-Subsidy
- New Services
- Non-competitive Services
- Services Offered on a Trial Basis
- Competitive Services
- Discounted Services

Universal Service

Memorandum to House Labor and Commerce Committee

March 29, 1996

Page 1 of 2

INTERCONNECTION		
Under the Telecommunications Act of 1996 (Act) the local exchange company (LEC), is obligated to provide interconnection to any requesting telecommunications carrier. The federal Act establishes requirements for interconnection, provides for exemption or suspension from those requirements for some LECs; and sets procedures for negotiating interconnection agreements.		
Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Duties and Obligations of Carriers (Sec 251(a)) * interconnect directly or indirectly with the facilities and equipment of other carriers; and * not to install network features, functions, or capabilities that do not comply with specified guidelines and standards.</p> <p>Obligations of local exchange carriers (LECs) (Sec 251(b)) * not to prohibit resale of their services; * to provide number portability; * to provide dialing parity; * to afford access to poles, ducts, conduits, and rights-of-way consistent with pole attachment provisions of the Act; and * to reestablish reciprocal compensation arrangements for the transport and termination of telecommunications.</p> <p>Additional obligations on incumbent LECs (Sec 251(c)) * negotiate in good faith the terms and conditions of agreements; * provide interconnection at any technically feasible point of the same quality they provide to themselves, on just, reasonable, and nondiscriminatory terms and conditions; * provide access to network elements on an unbundled basis; * offer resale of their telecommunications services at wholesale rates; * provide reasonable public notice of changes to their networks; and * provide physical collocation, or virtual collocation if physical collocation is impractical.</p>	<p>Duties and Obligations of Carriers, LECs & Incumbent LECs</p> <p>HB 531 does not address the interconnection obligations of LECs. It does impose interconnection requirements on IXCs that mirror the federal Act's requirements.</p>	<p>Duties and Obligations of Carriers, LECs & Incumbent LECs</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Negotiation Procedures for Agreements (Sec 252)</p> <p><u>Voluntary Agreements</u> An incumbent LEC may enter into a voluntary interconnection agreement with another telecommunications carrier without regard to the interconnection obligations (Sec 251) described preceding.</p> <p>The agreement must include a detailed schedule of itemized charges for interconnection and each service or network element included in the agreement.</p> <p>The agreement must be submitted to the APUC for approval. Grounds for rejection include: discrimination against a carrier not a party to the agreement or the agreement is not consistent with the public interest, convenience and necessity. Subject to Sec 253, Removal of Barriers to Entry, the APUC may require compliance with intrastate service quality standards.</p> <p>Any party negotiating under this section may petition the APUC at any point in the negotiation to mediate differences.</p> <p>The APUC must act to reject or approve within 90 days or the agreement will be deemed approved. State courts do not have jurisdiction to review APUC action in approving or rejecting the agreement. If the APUC does not perform its duties under this section the FCC will preempt.</p> <p>The APUC may consolidate proceeding under this section to reduce administrative burdens.</p>	<p>Negotiation Procedures for Agreements</p> <p>HB 531 does not directly address negotiation procedures for interconnection agreements.</p>	<p>Negotiation Procedures for Agreements</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	FIB 501
<p>Negotiation Procedures for Agreements (continued)</p> <p><u>Compulsory Arbitration</u> Approximately 5 months (between the 135th day and the 160th day) after the incumbent LEC receives a request for negotiation, any party to the negotiation may petition the APUC to arbitrate any open issues. A non-petitioning party may respond to the petition and provide additional information (within 25 days after the APUC receives the petition). The APUC must limit its consideration to the issues set out in the petition and any additional information provided by a non-petitioning party.</p> <p>In resolving any open issues the APUC is required to:</p> <ul style="list-style-type: none"> *Ensure that the resolution meets the Act's interconnection requirements (Sec 251). *Establish any rates based on cost (without reference to rate-of-return or other rate-based proceedings) *Establish any rate on a non-discriminatory basis and allow a reasonable profit. *Consider the just and reasonable terms for reciprocal compensation. *Determine wholesale rates based on the retail rate--excluding any marketing, billing, collection or other costs that will be avoided in a wholesale sale. <p>The APUC may only reject the agreement (or portion thereof) if it does not meet the Act's interconnection requirements (Sec 251) or the pricing standards discussed preceding.</p>	<p>Negotiation Procedures for Agreements (continued)</p>	<p>Negotiation Procedures for Agreements (continued)</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Negotiation Procedures for Agreements (continued)</p> <p>Compulsory Arbitration (continued) The APUC must complete its arbitration within 9 months of the date the LEC receives the request for negotiation. In other words, the APUC has approximately 4 months to complete the arbitration process, including the establishment of rates for interconnection, services and network elements.</p> <p>The APUC must act to reject or approve within 30 days or the agreement will be deemed approved. State courts do not have jurisdiction to review APUC action in approving or rejecting the agreement. If the APUC does not perform its duties under this section the FCC will preempt.</p> <p>The APUC may consolidate proceeding under this section to reduce administrative burdens.</p>	<p>Negotiation Procedures for Agreements (continued)</p>	<p>Negotiation Procedures for Agreements (continued)</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Exemptions for Rural Telephone Companies (Sec 251(d)(1))</p> <p>A rural LEC (which includes all Alaska LECs except ATU) is exempt from the LEC interconnection requirements of a [251(c)] until it has received a bona fide request for interconnection, services, or network elements and the APUC determines that such request:</p> <ul style="list-style-type: none"> * is not unduly economically burdensome. * is technically feasible, and * is consistent with the Act's universal service provisions (except for the specific public interest, convenience and necessity provisions). <p>The APUC must make a determination about whether to terminate the rural LEC's interconnection exemption within 120 days of receiving notice. Upon termination, the APUC must establish an implementation schedule consistent with FCC regulations. [The deadline for FCC regulations is August 8, 1996.]</p>	<p>Exemptions for Rural Telephone Companies</p> <p><u>Section 8</u> also adds a new section 42.05.244, Interconnection; exemptions, suspension, and modifications, to 42.05. In general this section mirrors provisions of the federal Act while imposing some additional requirements. HB 531 specifically cites Section 251 [Interconnection obligations], all inclusive, of the Act regarding interconnection obligations.</p> <p>This provision of HB 531 requires the APUC to conduct a termination proceeding when considering a request for interconnection. The remainder of this section generally follows the federal Act, although it requires the Commission to apply with greater specificity tighter standards before termination of exemption for rural telephone companies. For example: the APUC must consider whether the interconnection would raise the cost of universal service or have an adverse effect on the availability, quality or affordability of telecommunications services.</p> <p>The burden of persuasion to terminate the exemption is on the party seeking interconnection. The burden to show adverse effects on the public interest and service is on the incumbent but no inference is allowed to be drawn if the LEC elects not to submit evidence.</p>	<p>Exemptions for Rural Telephone Companies</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Suspensions and Modifications for LECs (Sec 251(f)(2))</p> <p>Any LEC with less than 2% of the nation's access lines (i.e., any Alaska LEC) can petition for suspension or modification of the requirements of LECs. The APUC must grant the petition if it determines that the suspension or modification is necessary:</p> <ul style="list-style-type: none"> • to avoid a significant adverse economic impact on users of telecommunications services generally, or • to avoid imposing a requirement that is unduly economically burdensome, or • to avoid imposing a requirement that is technically infeasible, and • is consistent with the public interest, convenience, and necessity. <p>The state commission must act with 180 days of receiving a request for suspension or modification.</p>	<p>Suspensions and Modifications for LECs</p> <p>HB 531 essentially mirrors the provisions of the federal Act.</p>	<p>Suspensions and Modifications for LECs</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Pricing Flexibility Not specifically addressed.</p> <p>Cross-Subsidy Section 251(K) prohibits a carrier from using services that are not competitive to subsidize those that are subject to competition. Requires the States, for intrastate services, to establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.</p> <p>New Services Not specifically addressed.</p>	<p>Pricing Flexibility See Competitive Services</p> <p>Cross-Subsidy Section 15 adds a new section 42.05.417, Cross subsidies prohibited, to 42.05. This section requires competitive service rates to cover incremental cost. The utility bears the burden of proving that the price covers the incremental cost. The Commission may review financial information to enforce this section--the information is confidential. Section 17 of HB 531 sets the Commission with the charge of assuring that competitive services are priced above incremental cost. To</p> <p>New Services Section 17 adds a new section 42.05.426. New or competitive telecommunications services to 42.05. This section will require the Commission to determine within 30 days, upon request, whether a telecommunications service is subject to competition..</p> <p>One provision of this section requires the Commission to modify regulatory requirements when it finds a service subject to competition.</p>	<p>Pricing Flexibility, Cross-Subsidy & New Services</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p data-bbox="180 377 449 433">Non-competitive Services See section on cross subsidy</p> <p data-bbox="180 642 508 698">Services Offered on a Trial Basis Not specifically addressed.</p>	<p data-bbox="787 377 1417 604">Non-competitive Services Section 15 also adds a new section 42.05.418, Regulation of noncompetitive services to 42.05. This section allows the Commission to regulate a service that the Commission has not determined to be competitive apparently based on application by the utility. This section requires the Commission to issue a final order within 60 days after notice and hearing to approve modify or reject the application.</p> <p data-bbox="787 642 1417 753">Services Offered on a Trial Basis Adds a new subsection (b) to 42.05.301, Discrimination in service. This section allows new services to be offered on a trial basis to selected customers.</p> <p data-bbox="787 782 1417 838">Under HB 531 the terms and rates of the trial basis offerings would still be subject to the Commission's review and filing requirements.</p>	<p data-bbox="1440 377 1779 433">Non-competitive Services & Services Offered on a Trial Basis</p> <p data-bbox="1440 462 1836 662">Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Competitive Services See section on cross-subsidy.</p> <p>Discounted Services Discounted rates are discussed in the context of interconnect with other LECs and in the context of rates to schools, libraries and public health providers (See 254(h)).</p>	<p>Competitive Services Adds a new section 42.05.416, Telecommunications services subject to competition, to 42.05. This section sets out the utility's notice procedures regarding telecommunications services subject to competition. The notice period to the public is shortened to 15 days and 30 days to the Commission. A tariffed rate may be changed on 10 days notice to the Commission. [Currently, in general, a rate change would trigger a rate case]. The utility must file a description of a special contract with the Commission within 10 days of its effective date.</p> <p>Discounted Services Section 10 allows the LEC to offer a discounted or reduced rate to schools, universities, libraries, health care facilities, museums, public safety facilities and other institutional users.</p>	<p>Competitive Services & Discounted Services</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

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UNIVERSAL SERVICE (Sec 254)

Definition

Requires: (1) the FCC to institute and refer to a Federal-State Joint Board a proceeding to recommend changes to any of its regulations to implement specified requirements, including the definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for completion of such recommendations; (2) one member of the Board to be a State-appointed utility consumer advocate nominated by a national organization of State utility consumer advocates; and (3) the Board, after notice and opportunity for public comment, to make its recommendations to the FCC within nine months.

Telecommunications Act of 1996 (Act)

HB 531

HB 501

Principles (Sec 254(b))

Directs the Board and the FCC to base policies for the preservation and advancement of universal service on: (1) availability of quality services at just, reasonable, and affordable rates; (2) access to advanced telecommunications and information services to all regions of the nation; (3) access and costs in rural and high cost areas that are reasonably comparable to that provided in urban areas; (4) equitable and nondiscriminatory contribution by all telecommunications services providers; (5) specific and predictable support mechanisms; (6) access to advanced telecommunications services for schools health care, and libraries; and (7) such other principles as the Board and the FCC determine are in the public interest.

Defines "universal service" as an evolving level of telecommunications services that the FCC shall establish periodically, taking into account advances in telecommunications and information technologies and services.

Principles & Definition

Principles & Definition

Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Funding Mechanism (254(d)(e) & (f))</p> <p>Requires all carriers providing interstate telecommunications services to contribute to the preservation and advancement of universal service. Authorizes the FCC to exempt a carrier or class of carriers if their contribution would be "de minimis."</p> <p>Provides that only designated eligible carriers shall be eligible to receive specific Federal universal service support.</p> <p>Grants States authority to adopt regulations not inconsistent with the FCC's rules. Requires all providers of intrastate telecommunications to contribute to universal service within a State in an equitable and nondiscriminatory manner, as determined by the State. Permits a State to adopt additional requirements with respect to universal service in that State as long as such requirements do not rely upon or burden Federal universal service support mechanisms.</p>	<p>Funding Mechanism</p> <p><u>Section 25</u> amends AS 42.05.840 to state that the APUC may establish a universal service fund to ensure the provision of basic local and long distance telephone service at reasonable rates throughout the state.</p>	<p>Funding Mechanism</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

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Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Eligible Carriers</p> <p>(Sec. 102) Specifies that a common carrier designated as an "eligible telecommunications carrier" shall: (1) be eligible to receive universal service support; and (2) throughout the service area for which the designation is received, offer the services that are supported by Federal universal service support mechanisms either using its own facilities or a combination of its own facilities and resale of another carrier's services, and advertise the availability of such services and the charges therefor using media of general distribution.</p> <p>Requires a State commission to designate such a carrier for the service area. Authorizes (in the case of an area served by a rural telephone company) or requires (in the case of all other areas) the State commission to designate more than one common carrier as an eligible carrier for a service area designated by the State commission, as long as each additional requesting carrier meets the requirements of this section and such designation is in the public interest.</p> <p>Sets forth provisions regarding: (1) designation of eligible carriers for unserved areas; and (2) relinquishment of universal service (in areas served by more than one eligible carrier).</p>	<p>Eligible Carriers</p> <p>Adds a new section 42.05.243, Local Exchange Services, to 42.05. The Commission is required to designate the incumbent local exchange telecommunications carrier (LEC) as an eligible telecommunications carrier. [Under the federal Act an "eligible carrier," as designated by the state, is eligible to receive universal service funds.]</p> <p>A telecommunications provider not designated as an eligible carrier may petition the Commission to become an additional eligible carrier for the study area of a rural telephone company. HB 531 requires the Commission to hold a hearing to determine whether the petition is in the public interest. The Commission must consider whether the petition would potentially increase the cost of universal service, or have an unfavorable effect on the availability and affordability of universal service; determine whether the incumbent is providing universal service and determine the petitioner's services will affect the ability of the incumbent to construct and operate telecommunications facilities.</p> <p>If the Commission determines that designation of the additional eligible carrier is in the public interest, the Commission is required to set an effective date for the designation. To establish the date the Commission is, in general, required to: Address the incumbent's reliance on universal service funding and provide the incumbent with the ability to recover investments made in reliance on universal service funding through accelerated cost recovery of other means.</p>	<p>Eligible Carriers</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Telecommunications Act of 1996 (Act)	HR 531	HB 501
<p>Eligible Carriers (continued)</p>	<p>Eligible Carriers (continued)</p> <p>Essentially HB 531 requires the Commission to convene a hearing whenever a telecommunications provider petitions to become an "additional" eligible carrier in a rural telephone company's study area. Under the definition of rural telephone company found at Section 27 of HB 531 only one LEC in Alaska is not a rural LEC.</p>	<p>Eligible Carriers (continued)</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

CERTIFICATION		
Telecommunications Act of 1996 (Act)	HB 531	HB 501
Not specifically addressed	<p>Adds a new subsection (g) to AS 42.05.221, Certificates required. This section requires the Commission to act within 45 days on an application from a local telephone company to amend its certificated area to serve unserved areas. The application is granted if the Commission does not act within 45 days. The standard for approval is a finding that the applicant is fit, willing & able.</p> <p>Currently review of amendments to certificates are typically decided within 6 months. The time period for review of competitive IXC certification is 90 days using the fit, willing & able standard.</p>	<p>The Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

PROPERTY & INVESTMENTS

Telecommunications Act of 1996 (Act)	HB 531	HB 501
Not specifically addressed	<p>Used & Useful Section 19 requires the APUC to presume that property included in rates continues to be allowable for ratemaking purposes. Property is used & useful if acquisition arises from:</p> <ul style="list-style-type: none"> *reasonable design benefitting customers *implementation of industry standards *reasonable planning for future needs *modernization of public utility's network <p>Depreciation Section 20 requires the APUC to presume that the FCC depreciation rates and methodologies are reasonable.</p>	<p>Used & Useful & Depreciation</p> <p>Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

IXC DUTIES		
Telecommunications Act of 1996 (Act)	HB 531	HB 501
Not specifically addressed.	<p>Section 23 adds a new section 42.05.805, Duties of Interexchange carriers (IXC) to 42.05. This section generally mirrors the federal Act's LEC interconnection requirements. A telecommunications utility is specifically allowed to designate the first point of switching where the utility elects to provide equal access through a centralized equal access arrangement.</p> <p>Requires interexchange carriers to interconnect with other telecommunications carriers. Facilities based carriers are required to provide unbundled access.</p> <p>The Commission is charged with determining when an IXC has more than 25 % of the state message toll traffic and determining the wholesale rate for interconnection.</p>	Not specifically addressed except to the extent that the Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.

REMOVAL OF BARRIERS TO ENTRY (Sec 253)		
Telecommunications Act of 1996 (Act)	HB 531	ICB 501
<p>No State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service.</p> <p>However in section 253 [Removal of Barriers to Entry] shall affect the ability of a State to impose, on a competitively neutral basis and consistent with section 254, requirements necessary to preserve and advance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services, and safeguard the rights of consumers.</p> <p>In addition, nothing in section 253 [Removal of Barriers to Entry] affects the authority of a State or local government to manage the public rights-of-way or to require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for use of public rights-of-way on a nondiscriminatory basis, if the compensation required is publicly disclosed by such government.</p> <p>The state can be preempted if the Commission determines that a State or local government has permitted or imposed any statute, regulation, or legal requirement that violates subsections 253 (a) or (b). The Commission shall preempt the enforcement of such statute, regulation, or legal requirement to the extent necessary to correct such violation or inconsistency.</p>	<p>Not specifically addressed.</p>	

Telecommunications Act of 1996 (Act)	HB 531	HB 501
<p>Nothing in section 253 shall affect the application of section 332(c)(3) (i.e., the existing federal preemption of states over wireless) to commercial mobile service providers.</p> <p>It shall not be a violation of section 253 for a State to require a telecommunications carrier that seeks to provide telephone exchange service or exchange access in a service area served by a rural telephone company to meet the requirements in section 214(e)(1) for designation as an eligible telecommunications carrier for that area before being permitted to provide such service. This subsection [253(f) Rural Markets] shall not apply-- (1) to a service area served by a rural telephone company that has obtained an exemption, suspension, or modification of section 251(c)(4) that effectively prevents a competitor from meeting the requirements of section 214(e)(1); and (2) to a provider of commercial mobile services.</p>		<p>The Commission must provide for competition in a timely manner and must adopt regulations that eliminate inappropriate impediments to entry for LECs fit, willing, and able to provide service.</p>

Oklahoma Telephone Association

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1996 Officers

J. R. Carter, President
Tim Williams, 1st Vice President
Nancy Cain, 2nd Vice President
Bob Stafford, Secretary
J.B. "Sonny" Bright, Treasurer
Barry K. Moore, Executive Vice President

MEMORANDUM

To: All OTA Members
From: Barry K. Moore
Date: March 15, 1996
RE: Legislative and Executive Action Requirements on RM 19

The Oklahoma Corporation Commission has ten days from the date the rules were adopted (March 7, 1996) to furnish the adopted rules to the legislature. Therefore, delivery of the rules and a report concerning the rules is required by March 18, 1996, which is the first business day after the tenth day of adoption.

The legislature has 30 legislative days in which it can, by joint resolution, approve or disapprove the rules. If the legislature does not take action on the rules, they are approved as written.

The governor has 45 calendar days which run concurrently with the legislature, but the consequences of inaction are different. If the governor does not approve the rules within the prescribed period they are disapproved.

If you have any questions, please give me a call.

Board of Directors

• Greg Aldridge - KanOkla Telephone Association • Bob Gray - GTE • Dan Overland - Pottawatomie Telephone Co • Tom Riley - Dobson Communications Corp •
• Richard Ruhl - Pioneer Telephone Cooperative • Gary Torbett - O.C.S.I.

For Immediate Release
Telecommunications Competition Rules Adopted

Oklahoma state officials and telecommunications industry representatives foresee rules adopted on March 7 perhaps becoming a national model as policies to broaden competition among companies spread across the country. The three-member commission voted unanimously to adopt procedures to deregulate local telephone service in Oklahoma. The regulations mirror federal legislation.

Cody Graves, chairman of the Oklahoma Corporation Commission, praised the 88-page Rulemaking 19, calling its completion an "extraordinary effort" that few people thought could be accomplished. Graves said the consensus approach framed by OCC staff and the industry "is not an ending but really the beginning of this process to reflect the market that's out there."

He said Oklahoma is the first state "to promulgate rules" since the Telecommunications Act of 1996 was passed by Congress and signed into law by President Clinton. Graves said "possibly the rest of the country will use ours as a model."

The rules are a compromise achieved over several weeks of discussions. Observers of the rulemaking process said they were most impressed with the balance reached among competitors who worked with OCC staff.

The rules will now be submitted to the Legislature for consideration.

Barry K. Moore, executive vice president of the Oklahoma Telephone Association, said, "Six weeks ago what you had was a document that frightened and confused a great number of people." He said now there is a conclusion "that I think people are 99 percent satisfied with."

ALL SOURCES PROPOSED RULES

RM950000019/LOCAL TELEPHONE

COMPETITION DOCKET

AS ATTACHED TO THE AGENCY RULE

REPORT



***(THESE RULES INCORPORATE ANY CHANGES MADE ON MARCH 7, 1996 AS
SET FORTH IN THE HANDOUTS AND PURSUANT TO COMMISSION VOTE
DURING THE HEARING)**