

STATE ISSUES FROM SANDS

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My Committee Summaries

Commerce, Regulation and Labor

[HF 277](#), as passed by the House, deregulates all retail rates with the exception of basic rates for residential and business lines. Basic residential service will have a price cap of \$19.00 and the basic business service will have a price cap of \$38.00. Residential rates cannot increase by more than \$1 in any 12 month period and business rates cannot increase by more than \$2 in any 12 month period. In addition, the proposal deregulates basic residential and business rates on July 1, 2008. However, if the Iowa Utilities Board does not believe that adequate competition is in place, it can continue to regulate basic residential and business rates for two more years, until 2010. **Please note, these rate caps and limits on rate increases only apply to Qwest, Iowa Telecom, and Frontier.** Any company that chooses to increase their rates under the deregulation proposal must install broadband in every exchange within 18 months. Also included in the bill is language allowing for additional predatory pricing and anti-trust proceedings before the Iowa Utilities Board.

Advances in technology may force the Legislature to spend more time considering the future of the industry. Using the internet to make phone calls may sound futuristic, but nearly 1 million tech-savvy people already are using the new technology, call Voice over Internet Protocol (VoIP), and the number could climb to 16 million by 2008, according to Frost & Sullivan, a market research firm.

The problem for states is that the technology is so new and is changing so fast that no one has decided yet how to regulate it or even what to call it. A major question for states is this: Is Internet-based phoning a "telecommunications service," which states and the federal government generally regulate and tax, or is it an "information service?" such as e-mailing that, for the most part, isn't subject to state regulation.

The difference is important. Among other things, companies that provide interstate "telecommunications services" must chip in and pay into special funds that in 2003 provided some \$4.6 billion to help poor people get discounts on telephone services, wire rural areas and link public schools and libraries to the Internet as part of a program called the federal Universal Service Fund.

Internet-based phone companies argue their services are akin to sending e-mails because the technology essentially converts voice signals to packets of information that are sent over a high-speed Internet connection. Critics contend that a telephone call is a telephone call regardless of whether it is made using a traditional circuit-switched system or the

Internet and that all should be covered by the same federal and state requirements. Cell phones generally have to comply with the same rules as traditional phones.

Public Safety

[House Study Bill 175](#) attempts to address the concerns with the sale of pseudoephedrine in stores and is still under debate in the committee. A frequently asked question concerning this subject is, “What is a schedule V controlled substance?” Schedule V controlled substances are the lowest form of controlled substance. Any drug classified as “Schedule V” must be sold within a pharmacy and kept behind the pharmacy counter. Many of these substances are available without a prescription. However, there are several other restrictions that accompany the Schedule V classification. They must be dispensed by a pharmacist, to consumers 18 or older with correct identification. The pharmacist must also maintain a record book that includes the name and address of the consumer.

Administration and Regulation Budget Subcommittee

This week saw the end of department presentations sending the subcommittee into the next phase of appropriations. The Budget Subcommittee will start inserting actual dollar amounts into the different department budgets. The department requests and the Governor’s request will be taken into consideration, however, the bottom line is you cannot spend more than you have.

Next week will bring General Ron Dardis to speak to a Joint Session concerning the Condition of the National Guard. I will give you a brief account of what he has to say in the next newsletter.

Please remember that you can track your legislation of interest via the Capitol website. If you have any questions or comments please feel free to contact me.

Until next week,

Tom Sands