

PUBLIC HEARING

before

ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

on

ASSEMBLY, No. 3913

Held:
October 17, 1983
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Robert C. Janiszewski, Chairman
Assemblywoman Barbara F. Kalik, Vice Chairwoman
Assemblywoman Catherine A. Costa
Assemblyman Richard Van Wagner
Assemblyman C. William Haines
Assemblyman Anthony M. Villane, Jr.
Assemblyman Karl Weidel

ALSO PRESENT:

William D. Zuzzio, Supervisor
Office of Legislative Services
Aide, Assembly Revenue, Finance and Appropriations Committee

* * * * *

ATTORNEY GENERAL

JUN 2 1984

STATE OF NEW JERSEY



I N D E X

	<u>Page</u>
John Paul Doyle New Jersey State Assembly District 10	1
Senator Frank R. Lautenburg United States Congress	3
Thomas H. Paterniti New Jersey State Assembly District 18	22

* * * * *



[OFFICIAL COPY REPRINT]
ASSEMBLY, No. 3913

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 6, 1983

By Assemblymen DOYLE, PATERO and BOCCHINI

AN ACT providing certain senior and disabled citizens with financial assistance for telephone service, supplementing Title 48 of the Revised Statutes, and making an appropriation.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "Telephone
2 Lifeline Credit Act."

1 2. The Legislature finds that the divestiture of the American
2 Telephone and Telegraph Company, due to take effect January 1,
3 1984, will result in increased rates for telephone service for New
4 Jersey residents; that substantial and precipitous increases in the
5 cost of basic telephone service will have a disproportionate impact
6 on senior and disabled citizens, who are often dependent on fixed
7 incomes, and who rely on their telephone service as a lifeline to
8 health services, friends and families; and that the voters of this
9 State recognized the importance of reducing the cost of basic
10 telephone service to senior and disabled citizens by approving in
11 1976 an amendment to the Constitution of the State of New Jersey
12 providing that State revenues derived from the taxation of gamb-
13 ling in Atlantic City may be used to reduce the telephone charges
14 of senior and disabled citizens.

15 The Legislature therefore determines that it is in the public
16 interest to establish a telephone lifeline credit program for senior
17 and disabled citizens, to fund this program with revenues from the
18 Casino Revenue Fund established under section 145 of P. L. 1977,
19 c. 110 (C. 5:12-145), and to thus insure that increases in basic

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Assembly committee amendments adopted November 21, 1983.

20 telephone service will not adversely affect those most unable to
21 bear them.

1 3. The Commissioner of the Department of Human Services
2 shall establish and administer a program which shall be known as
3 the "Telephone Lifeline Credit Program."

1 4. Any residential telephone customer who on July 1 of any
2 year or at any time during the following six months is: a. enrolled
3 in, found eligible for, or, except for the provisions of section 4 of
4 P. L. 1975, c. 194 (C. 30:4D-23), would be eligible for benefits
5 under the program of "Pharmaceutical Assistance to the Aged and
6 Disabled," established pursuant to P. L. 1975, c. 194 (C. 30:4D-23
7 et seq.), as amended and supplemented; or, b. receiving or is
8 eligible to receive benefits under the program of Supplementary
9 Security Income (P. L. 1973, c. 256; C. 44:7-85 et seq.); or, c
10 receiving disability benefits pursuant to the Federal Social Security
11 Act (42 U.S.C. § 416(i)) and meets the income and residency
12 requirements of the "Pharmaceutical Assistance to the Aged and
13 Disabled" program shall be eligible for the "Telephone Lifeline
14 Credit Program" established pursuant to this act. The Commis-
15 sioner of the Department of Human Services shall establish a
16 schedule of eligible customers who meet these qualifications.

1 5. The "Telephone Lifeline Credit Program" shall consist of
2 an annual credit against the telephone bill of each eligible resi-
3 dential telephone customer at his principal residence. For customers
4 found to be eligible by January 1, 1984, the credit shall be applied
5 to their telephone bills by April 1984. For customers found to be
6 eligible after January 1, 1984, the credit shall be applied to the
7 bill issued no later than October of each year or as soon thereafter
8 as eligibility is determined. The annual credit shall be applied to
9 an eligible customer's telephone bill in 12 equal monthly install-
10 ments. For the period January 1, 1984 to July 1, 1984 the annual
11 credit shall be \$60.00. Beginning July 1, 1984, the annual credit
12 may be increased or decreased as provided by law.

1 6. Upon certification by the Commissioner of the Department
2 of Human Services, the State Treasurer shall pay to each telephone
3 company the amount of the credit provided for each eligible resi-
4 dential customer served by the telephone company. The payments
5 shall be made pursuant to a schedule approved by the Director
6 of the Division of Budget and Accounting, and payments made for
7 unused credit shall be returned to the Casino Revenue Fund
8 pursuant to a plan approved by the director. For eligible resi-
9 dential customers receiving benefits pursuant to the program of
10 Supplementary Security Income under P. L. 1973, c. 256 (C. 44:7-85

11 et seq.), the credit shall consist of a special State utility supplement
 12 to the Supplementary Security Income program and shall be made
 13 in 12 monthly installments. This special State supplement shall
 14 be in addition to existing supplementary payments which have
 15 been or may be authorized and made pursuant to P. L. 1973, c. 256
 16 (C. 44:7-85 et seq.).

1 7. The Commissioner of the Department of Human Services is
 2 authorized to direct each telephone company to inform each eligible
 3 residential customer of the "Telephone Lifeline Credit Program"
 4 by separate notice. The commissioner shall approve the content
 5 of this notice. Prior to issuing this direction to a telephone com-
 6 pany, and prior to approving this notice, the commissioner shall
 7 consult with the Board of Public Utilities.

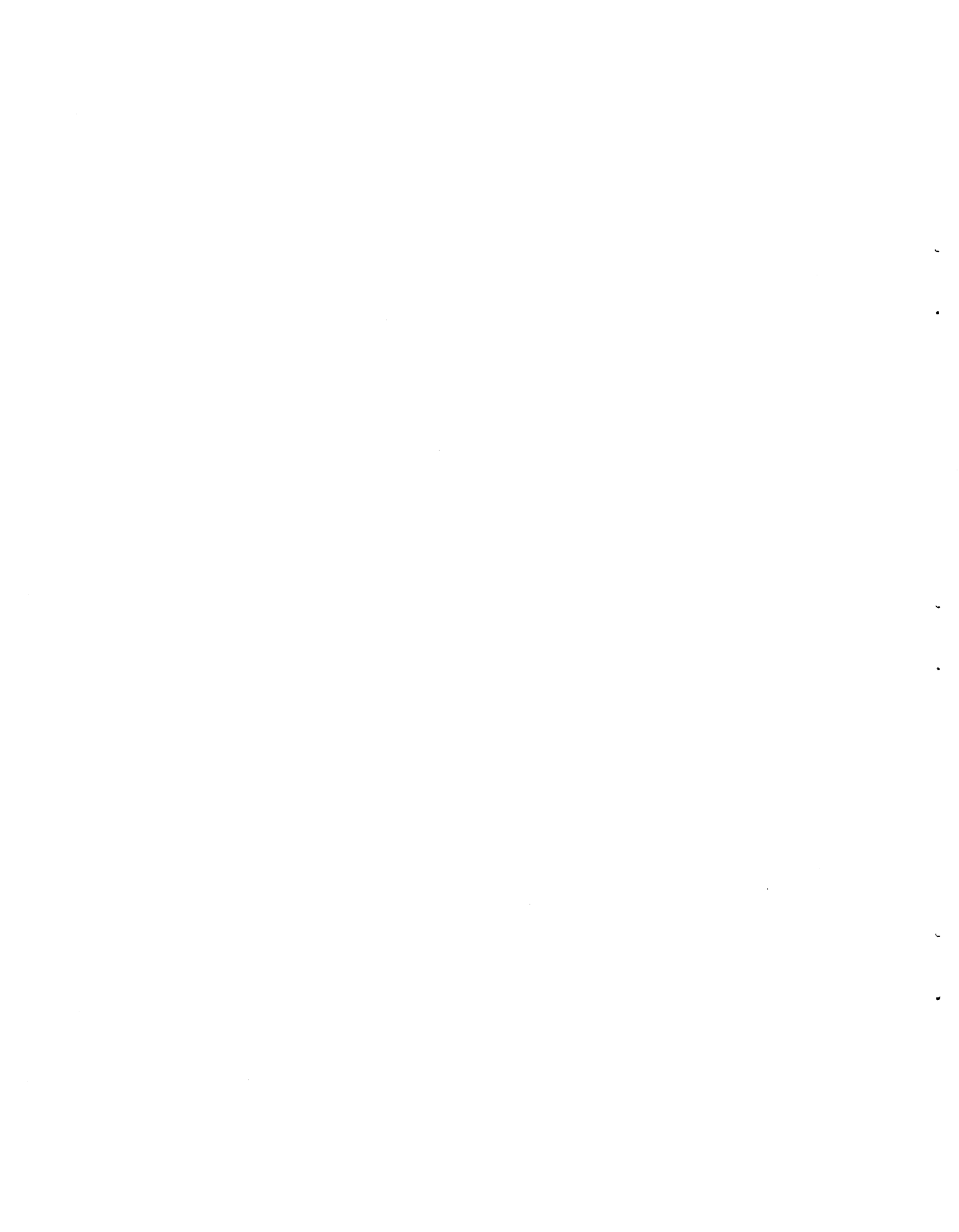
1 8. The commissioner shall submit a report on the "Telephone
 2 Lifeline Credit Program" to the Legislature and the Governor on
 3 August 15 of each year, beginning in 1985. This report shall in-
 4 clude, but shall not be limited to, a summary of the implementation
 5 of the program, a study of its impact, and any recommendations
 6 for its revision.

1 9. a. The commissioner is authorized to promulgate, pursuant to
 2 the "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1
 3 et seq.), any rules and regulations necessary to implement the
 4 provisions of this act.

5 b. The commissioner shall be entitled to call upon the assistance,
 6 or contract for the services, of any State department, board,
 7 bureau, commission or agency as may be necessary to implement
 8 the provisions of this act.

1 10. There is appropriated to the Department of Human Services
 2 from the revenues deposited in the Casino Revenue Fund estab-
 3 lished pursuant to section 145 of P. L. 1977, c. 110 (C. 5:12-145)
 4 the sum of *~~[\$15,000,000.00]~~* *\$7,500,000.00** to implement the pro-
 5 visions of this act. **Any portion of this appropriation may be*
 6 *expended for the purpose of providing the nonfederal share of any*
 7 *federal program providing financial assistance to senior and dis-*
 8 *abled citizens for the cost of basic telephone service as determined*
 9 *by the Director of the Division of Budget and Accounting in the*
 10 *Department of the Treasury.**

1 11. This act shall take effect **immediately, but shall remain*
 2 *inoperative until* January 1, 1984 *or the implementation of rate*
 3 *increases for basic telephone service attributable to the divestiture*
 4 *of the American Telephone and Telegraph Company, whichever is*
 5 *later**. The Department of Human Services shall take all actions
 6 necessary prior to the effective date of this act to implement the
 7 provisions of this act on the effective date thereof.



ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3913

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 17, 1983

This bill establishes a "Telephone Lifeline Credit Program" to provide eligible senior and disabled citizens with an annual credit of \$60.00 against their telephone bills. The divestiture of the American Telephone and Telegraph Company, which will take effect January 1, 1984, is expected to increase the cost of telephone service, and financial assistance provided by this bill is intended to mitigate that increase. The \$60.00 annual credit would be applied in 12 monthly installments, which would provide an eligible senior or disabled citizen with a monthly credit of \$5.00.

The program established by this bill would utilize the same eligibility requirements as the "Lifeline Credit Program," P. L. 1979, c. 197 (C. 48:2-29.15 et seq.) and the "Tenants Lifeline Assistance Program," P. L. 1981, c. 210 (C. 48:2-29.31 et seq.). Senior and disabled citizens eligible for these programs would be eligible for the "Telephone Lifeline Credit Program" established in this bill.

This bill would take effect January 1, 1984. After July 1, 1984, the amount of credit can be increased or decreased by law. A companion measure to this bill, Assembly Concurrent Resolution No. 3061 of 1983, establishes a legislative study commission to determine precisely what the amount of telephone bill assistance would be. This commission is charged with reporting to the Legislature by June 1, 1984, and, based on the commission's recommendation, the amount of telephone bill assistance provided in this bill may be increased or decreased accordingly.

COMMITTEE AMENDMENTS

Committee amendments reduce the appropriation from \$15 million to \$7.5 million in recognition of a maximum half year cost in fiscal year 1984; permit the use of that appropriation to match any Federal Assistance Program for this same purpose; and modify the effective date to be the later of January 1, 1984, or the implementation of rate increases for basic telephone service attributable to the divestiture of the American Telephone and Telegraph Company.



ASSEMBLYMAN ROBERT C. JANISZEWSKI (Chairman): This public hearing is being conducted today on Assembly Bill 3913. The hearing is being conducted by the Assembly Revenue, Finance and Appropriations Committee. Assembly Bill 3913 is sponsored by Assemblyman Doyle, and it provides certain senior citizens and disabled citizens with financial assistance for telephone service, and it supplements Title 48 of the revised statutes, also making it an appropriation.

I would like to first call upon the bill's principal sponsor, Assemblyman Doyle, for introductory remarks. John, I would like to ask you to keep your comments brief. We will come back for questions from members of the Committee in a few moments, but I would like you to open with a conceptual discussion of what the bill intends to do and what segments of the community would be impacted by it and in what way.

Assemblyman Doyle?

A S S E M B L Y M A N J O H N P A U L D O Y L E: Thank you, Mr. Chairman and members of the Committee, for the opportunity to appear before you to discuss this matter, which I think is of utmost concern to the elderly and handicapped citizens of this State.

On January 1, a divestiture of the Bell Telephone system will take place. There will be increased costs to local service because of the loss of long-distance subsidization that will no longer occur. It is estimated at this time that the base telephone rate will be increased from \$8.50 to as much as \$20.50 per month, or more than a 100% increase. I think it is in the essence of our legislative service to try to foresee a problem, particularly when it is going to impact upon those citizens least able to afford the kind of financial impact of that problem, and to do something about it so that we are not coming in after the fact to put a fire out that is already raging.

I'm pleased to see that Senator Lautenburg is here. He has responded to the problem with appropriate and needed Federal legislation. The Senator and I have discussed it at length, and we think that our two approaches, taken together, will provide a full response to the problem we can foresee of these increased rates.

Let me just talk in a very human way about the problem -- in a conceptual way, as you have asked, Mr. Chairman. My district

probably has as large a proportion of senior citizens as any legislative district. Oftentimes, it is senior citizens who are lonely, widowed, or widowered, who live in the circumstances where their families are removed from them, and who for them, the telephone is truly a lifeline -- a line to life -- a line to the first aid squad, to an emergency phone call -- to families who live far away. On top of rising utility bills, inflationary costs, and every other problem, if they have to face a base phone bill that almost doubles, I think that is something that we should not allow to happen.

Fortunately, we have the opportunity and the availability of funds to meet the problem. The Casino Revenue Fund, is dedicated, as we all know, to the reduction of utility rates for senior citizens and the disabled, as one of its purposes. Really, that has been its principal purpose since the 1976 legislation. It has \$21 million in surplus right now, and that surplus is growing. Given the problem and that source of funds, what this bill would do is, it would provide for a \$5 per month payment, which would approximate half the increase expected. That \$5 would be paid on behalf of the 298,000 people who presently qualify under existing threshold standards of the Pharmaceutical Assistance for the Aged and Disabled Program.

As you know, the income limits for that program are \$15,000 for qualified senior couples, and \$12,000 for qualified senior and disabled senior single persons. Given administrative costs, the numbers I've just given you, the approximate cost would be \$17 million -- less than the surplus. The payments, as they are done with the existing Lifeline bill, of which I was the prime sponsor, for homeowners -- Assemblyman VanWagner was the prime sponsor for tenants -- would be paid to the utility company to minimize administrative costs so that there would be one large check on a monthly or quarterly basis paid to the telephone company.

The bill further provides for annual studies as to the efficacy of the program and how well it is working.

In summary, that is the program. I know that Senator Lautenburg will be speaking next, and I will await your questions. Suffice it to say, since this program was first proposed by Senator

Lautenberg and me in August of this year, I have heard senior citizen groups in my area say that the program is worthwhile, that is something they are concerned about, and this will alleviate the burden.

I have heard from other state legislators who are interested in this model legislation, because this will be a nationwide problem.

I appreciate your time in coming here, and I look forward to your questions. I hope at your next meeting, you will vote the bill out favorably. Thank you, members and Mr. Chairman.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblyman Doyle. I would like to ask Senator Frank Lautenberg if he will come forward to this microphone. While the Senator is doing that, I would like to thank him for his presence here today. Senator, this Committee is honored by your presence, and I would like to compliment you for your interest in the New Jersey legislative process, particularly in our Chamber.

S E N A T O R F R A N K R. L A U T E N B U R G: Thank you for the opportunity to be here. I assume that it was just a coincidence that I sat on the other side of the aisle, because this is not a political thing at all. It would be amusing to my colleagues in Washington if they saw me on the Republican side of the aisle. They have never seen me there.

Mr. Chairman, I have a formal statement. I am pleased to be here today. I would like to first commend you and your colleagues for calling and attending this hearing to examine on a State level what can be done to preserve affordable, universal telephone service. I also want to commend Majority Leader Doyle, along with Assemblymen Paterno and Bocchini for their leadership in sponsoring Assembly Bill 3915, the Telephone Lifeline Credit Act.

I think I would best serve the Committee by discussing the coming new aids in telecommunications in America and the challenges they present. I want to tell you what Congress is doing to meet these challenges and to suggest what might be done here, as well, through this legislation.

This January 1 will mark the beginning of a new era in telecommunications. AT&T, the Bell System as we knew it, at present so prominent in our State, is on its way to being broken up. Competition will be the watchword. Efficiency and technological innovation will be the goals. But, preserving affordable, dependable telephone service for local consumers will be the challenge.

Long-standing programs for subsidizing local service with long-distance revenues are slated for repeal. Local telephone companies forced to modernize to compete will pass on new costs to subscribers. What boils down to next year is a minimum 70% hike in the average residential rate in New Jersey, according to the New Jersey BPU. But, that is only the beginning.

Rates will continue to rise, and as they rise, we will face the risk of pushing thousands of people off the telephone network. Disconnected will be the poor and the unemployed. Disconnected also will be the elderly of limited means who rely on the local telephone often as a lifeline to their friends and to the world outside. We can't let that happen. Yet, we must seek solutions that are efficient, that are compatible with the competitive environment, and that bring a fair share of help back to New Jersey.

Let me explain what we have done in the Senate Commerce Committee on which I serve to meet these challenges. We have released legislation by a fifteen to two vote that would establish a program for the support of basic lifeline telephone service for people of limited means. That simply means access to the outside world. It is not luxury service by a longshot.

The program would be funded evenly by surcharges on long-distance companies -- AT&T -- and also its competitors -- MCI, Sprint, and the so-called bypassers -- companies that build private networks outside the public telephone systems. Unfortunately, they use part of what is a resource, and that is, the communication waves. The fund would be used to support up to 50% of the subsidy needed to keep people on line. Any state would be eligible, but it is important to highlight what the Committee rejected, as well.

It rejected a proposal by the Committee Chairman, Packwood of Oregon, and thirty Senate Republicans, to subsidize not only the poor, but other areas of the country. In any region of the country where fixed costs of telephone service are more than 10% of the national average, 90% to 100% of those costs would be picked up by everyone else.

I opposed that proposal, and it is obvious why. I'll explain it further. Believe it or not, New Jersey is blessed with a relatively low fixed-cost telephone system because of its dense population and the fact that much of its capital is paid for over a number of years. Costs are very high in states like Florida where Sunbelt growth has forced the laying on of a whole new telephone infrastructure. That is preparing for the future. That is not to take care of their current needs.

Costs are high in states like Alaska, Wyoming and Texas, where it takes miles of wire to link far-flung residents.

A program to subsidize high-cost areas would subsidize everyone -- everyone -- in those high-costs states, whether they needed help or not. It would subsidize virtually no one in states like New Jersey, New York, or Pennsylvania -- those where the system developed over a number of years, and satisfies essentially a stable population. It would remove the incentive for high-cost areas to become efficient, because someone else like we would be paying for their inefficiencies. It would also rob New Jersey of a natural competitive advantage. We don't have too many, but this one is a good one for us. It is relatively low telecommunications costs in an information age when such costs figure critically in business decisions about where to locate. New Jersey can ill afford to give up a natural advantage.

Certainly, Alaska, Texas, and Florida aren't subsidizing New Jersey's high energy costs.

Under the proposal first offered, one billion, two hundred million dollars would have flowed to high-cost states. One hundred and two million dollars of that would have come from the pockets of New Jersey consumers, and two million dollars would come back to help those who are needy in terms of telephone service -- one hundred million out, two million in. That doesn't sound like a good idea to me.

I am pleased to report that I helped defeat that proposal. What the Committee agreed on was a scheme one-sixth the size for subsidizing very small rural telephone companies. It also okayed a \$200 million program for targeted lifeline assistance for the poor -- the kind of assistance that will come to New Jersey, the kind of complements that the program contemplated in the Assembly bill proposed.

There was another important element in the Senate Committee's bill that affects residential telephone rates. The bill suspends for two years the imposition of a so-called access charge on residential and small business customers. Small business customers are defined as single-line users.

The FCC, in an effort to free long-distance carriers to compete, had proposed to gradually repeal the long-distance subsidy of local rates, to shift all fixed-costs of local service onto local customers in the form of a flat, per line, so-called access charge. The charges would start in 1984 at \$2.00 a month for residents and \$6.00 a month for businesses. By 1990, the access charge in New Jersey would amount to a doubling of the current average local telephone rate. In other words, the access charges alone would have equaled the present basic telephone rate.

Given the uncertainty that the climate will face after January 1, my colleagues and I agreed that it would be unwise and unfair to shift these costs to residential and small business users. Our bill would, however, allow access charges on the larger businesses, so long-distance companies like AT&T and other carriers would be relieved of over \$2 billion in subsidy costs. But, residential customers would be spared the initial price shock.

While the Senate bill awaits floor action, legislation is pending before the House Committee on Energy and Commerce -- legislation, I might add, that goes farther in a number of ways than the Senate bill -- farther than I think is justified or fair.

For example, the main House bill tries to freeze a price advantage now enjoyed by long-distance competitors, like MCI and

Sprint, to the detriment of AT&T, and even New Jersey Bell, which serves as the long-distance company in our State. Basically, the bill, by freezing the so-called enfia tariffs, would guarantee MCI and Sprint a 45% discount on the price they pay to hook up to the local network -- 45% less than what AT&T or New Jersey Bell pays. That is unfair to AT&T and its shareholders. Someone is selecting out the parts they want to hear and subduing the others.

ASSEMBLYMAN JANISZEWSKI: Perhaps they are MCI and Sprint.

SENATOR LAUTENBURG: They didn't seek competition, but they have a right, and now I am referring to AT&T and New Jersey Bell -- they weren't looking for competition, but they should have a right to expect fair competition. It is absolutely wrong to have them, with increasing costs, fix the amount of the charges that they are going to pass on to MCI or Sprint or the others.

I might add that New Jersey Bell says that the freeze on enfia -- that portion passed on to other carriers -- would cost them \$24 million -- \$24 million that would have to be passed on to local consumers, the very people we are trying to help.

Now, I would just like to turn briefly to the Assembly bill under consideration. I commend the sponsors for proposing a program that targets assistance to those in need -- the elderly and the disabled of limited means. Indeed, those people, more than others, rely upon the telephone as being a basic lifeline to friends, with emergency service to families. The program would complement, to a degree, the program set out in the United States Senate bill, which requires at least a 50% match from state sources.

Of course, since the bill draws on funds which are dedicated to the elderly and the disabled, this bill would be narrower than a Federal program geared to low-income people generally.

I would, however, like to make a couple of suggestions, if I may. First, it may be that the effective date on the bill proposed is early -- premature -- depending on when the BPU actually orders certain rate hikes. Secondly, I would strongly suggest that the bill mandate the completion of a study by the BPU or an appropriate agency on the overall impact of the coming rate increases. We have ordered that in the Senate bill from the FCC.

I am concerned by the studies that predict a 1% dropoff in subscribers for every 10% rise in price, which means that if rates go up 100%, which we are talking about, that 10% of the people could lose telephone service. We are talking about something as basic, my friends, as heat and light today. A telephone is not a luxury anymore in our society.

We should be developing hard data based on hard New Jersey facts as they develop. In the meantime, however, we must act to set up mechanisms to ensure that the competitive era in telecommunications does not result in two classes -- those who enjoy the best in technological innovation, and those who can no longer afford basic local telephone service.

I look forward to working with you on this in the future, and I would be happy to take a limited number of questions before I run off.

Thank you, Mr. Chairman.

ASSEMBLYMAN JANISZEWSKI: Senator Lautenberg, thank you very much for being with us here today.

Let me just ask first, the cost estimate of the bill that was released by the Senate Committee was how much?

SENATOR LAUTENBURG: Well, we're talking about a subsidy of roughly \$200 million for the rural, small telephone companies, and a \$200 million lifeline service. That is the subsidy for high-cost areas, which were reduced from an initial estimate of a billion, two hundred million dollars. So, we've cut that by a billion dollars worth of assistance, in which New Jersey would have taken a significant part.

ASSEMBLYMAN JANISZEWSKI: In terms of the states which would qualify for participation in the receipt of this funding for purposes of telephone lifeline, what might be any requirement that the State may have to fulfill in order to qualify for the receipt of those funds?

SENATOR LAUTENBURG: The states would have to certify the number of those who need help, but it would also be a portion based on general telephone revenues to make the formula fairly simple. It would be distributed to every state in the Union.

ASSEMBLYMAN JANISZEWSKI: Thank you. Are there any other questions from members of the Committee?

ASSEMBLYWOMAN COSTA: Mr. Chairman?

ASSEMBLYMAN JANISZEWSKI: Yes, Assemblywoman Costa?

ASSEMBLYWOMAN COSTA: These gentleman would like to interrupt for just a moment. They would like to fix the sound boxes.

ASSEMBLYMAN JANISZEWSKI: Assemblyman Villane?

ASSEMBLYMAN VILLANE: Senator, I want to congratulate you and thank you for coming here to Trenton. I know you've got a busy schedule like lots of other people on the Federal level.

This is really an important issue, and I'm glad to see you lend your support. I know you're busy, but I have one or two questions.

It is truly a bipartisan spirit with which we enter into this. The problems of the elderly are problems of all of our parties -- Republicans, Democrats, and independents. By example of how nonpartisan or bipartisan this is, there is a Republican sponsor to an almost identical bill that does exactly the same thing. That is Assemblyman Muziani's bill.

So, it is a universal bill, and it is a bill that we're all behind. We're very glad that you are going to help us at the Federal level.

What I would like to know is, will the -- I think we ought to consider the amendments that you recommended at our meeting this afternoon. I am sure the Chairman will consider those, along with the sponsor, Assemblyman Doyle. How will we merge the two bills? How will the Federal assistance be put together with the State assistance if the bills both pass?

SENATOR LAUTENBURG: What we are looking for at the Federal level is, we think the responsibility ultimately passes back to the states. We want to give them funding at the Federal level, but it should only be 50% of that which is required. The other 50% of the revenue has to be generated by state programs, wherever they may come from, and I don't want to suggest the sources for the funding.

I would encourage you, as you examine this legislation, to include the poor, regardless of age, and regardless of the reasons for their poverty, whether it is fixed income, unemployed, or what have you.

ASSEMBLYMAN VILLANE: Would that be a problem with our bill, because we are going to tie in our bill, as we traditionally have done to New Jersey, with a means test and an age requirement? Would Federal funds still be applicable to kind of joining together with a thrust of our legislation?

SENATOR LAUTENBURG: We are only going to be looking at the means test for that, but again, that is to be determined by the states. We're going to allocate a portion of the trust fund to each state, based on the number of residents and the telephone revenues. It will be up to the states to use the test that they devise as being appropriate. But, it is so important.

You know, people fail to recognize what the telephone means, because we're so accustomed to having it in every one of our homes -- our kids will have it. Even at colleges today, very often kids will chip in in a dormitory and buy phone service. But, to someone who is unemployed, whose only means of quick access to information as to whether or not a job finally comes, is the telephone -- or the working mother who is out on the job and can only be on the job as long as she can communicate with her kids at home. "Did Jerry get home? Did Bob get home? What is happening? What is going on?" It is that ability to communicate quickly that has made the difference in the growth of our society. As a result, people have become accustomed to it.

We just can't cut people off because they don't have the means.

ASSEMBLYMAN VILLANE: Thank you, Senator. That is the end of my questioning, but you are absolutely right. It is no longer a luxury. It is seven digits away from your position, your dentist, your first aid squad, your hospital, and it is absolutely a necessity. I appreciate your being here today.

SENATOR LAUTENBURG: I've spoken to social workers who have described the worst circumstances in the world about someone who lives

isolated in an apartment, either immobilized or imprisoned because of circumstances, and unable to communicate. It is emotionally a disaster for that person. It is depressing.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblyman Villane. Assemblyman Weidel?

ASSEMBLYMAN WEIDEL: Senator, you mentioned that your legislation would fund 50%, and Mr. Doyle's bill would take effect January 1, 1987. Will you tell me when you expect -- is it possible that this bill in the United States Senate and the whole Congress would be passed before Doyle's bill?

SENATOR LAUTENBURG: It was my understanding that the bill that is proposed is a 1984 commencement date -- January 1, 1984. Our bill has to take place, in my view, in January 1984, because otherwise, there is an FCC mandate to increase local rates by \$2.00 per month. Barring any action, that will take place. Now we're in a position where no action will lead to a very significant increase in costs in New Jersey. It represents about 25% of the local rates just in that one quick moment on January 1.

ASSEMBLYMAN WEIDEL: What I am leading up to, Senator, is -- this bill appropriates \$15 million, and I don't know if we were aware that your bill was coming too. With the constraints on the budget this year, should we appropriate half of that amount?

Doesn't the Board of Public Utilities have final approval as to these telephone rates? We're all assuming right now, aren't we, that they are going to go along with these projections? Won't the Board of Public Utilities have the final say here in the State whether or not it is going to be \$15 million or \$20 million or \$5 million?

SENATOR LAUTENBURG: The Board of Public Utilities in every state, as far as we're concerned, will be the determining factor as to what happens to rates. However, the amount of subsidy that we are looking at is something that says, "Beyond the present base rate, we are concerned about increases." Those who can afford the base rate now, we think, have to share unfortunately in that revenue and will continue to share in that revenue.

What we're talking about is the rate that is determined by the public utilities as the standard rate. We're offering this sum of money to the State of New Jersey and other states around the country to be distributed as the states see fit to use whatever yardstick they see as the poverty yardstick.

I'm not going to enter into the funding for the local subsidy -- what its source is and the extent of it. I think what Assemblyman Doyle had in mind, and he is certainly able to describe it himself, is the sharing of the burden between Federal and State. I'll leave it to you people here, in your good judgment, to determine how the share of the State gets to where it is going to go. That is not for me to do.

ASSEMBLYMAN WEIDEL: I have one other question, sir. There was a statement distributed by the New Jersey Federation of Senior Citizens objecting to this bill -- Doyle's bill. We have a study commission going on right now to determine the expenditures from the Casino Revenue Fund. It is their statement that right now home health care and rental assistance are more important to them than phone assistance. So, that is another item that this Committee will have to take into consideration, because this bill is on top of your bill, and your bill in the United States Congress would take half of the monies available -- the 50% or whatever that figure would be -- it would be 50% of the total. We don't know what the total is going to be because we're projecting now. It could be that we might have to compromise -- not that the thought isn't good, not that it isn't effective. Both of these bills shouldn't be put into place. It is just a matter of funding the logistics and whether or not we're going to use all of the Casino Revenue Fund for this. So, you can understand the dilemma that we can be in.

ASSEMBLYMAN JANISZEWSKI: Assemblyman Weidel, I think that the document you are talking about, which each Committee member, I am sure, is--

ASSEMBLYMAN WEIDEL: I don't know the authenticity of this. It is just printed on a statement. You must have authorized it.

ASSEMBLYMAN JANISZEWSKI: Yes, I have the same thing. It has come from the source that is noted there. However, I should say that they point more to the utilization of the funding as a mechanism for funding the State bill than to the concept of lifeline telephones themselves. I want it to be very clear that it is not a commique received by us which is, in any way, opposing Senator Lautenburg's legislation.

ASSEMBLYMAN WEIDEL: Oh, no. I'm saying that his is the primary. This is secondary; this to fill in what over the 50%--

SENATOR LAUTENBURG: Legislation will have to be developed here to fund the remaining portion of the lifeline assistance. Again, I'll leave it to the experienced heads here on how to figure that out.

ASSEMBLYMAN JANISZEWSKI: Assemblywoman Kalik?

ASSEMBLYWOMAN KALIK: I just want to say that although the senior citizens have made it very clear that rental assistance is one of their very high priorities, whether you get \$60 a year towards paying the rent or \$60 a year towards paying your phone bill, if you are renting, I don't think it matters whether that money goes directly to the landlord or directly to the phone company. It is \$60 less that you have to come up with.

My objection to some of the casino monies was that it wasn't, in fact, going to renters, and that is extremely important. I think we have more renters who are senior citizens in low-income levels than we have homeowners. I can live with that difference. As long as the help comes, I don't think it really matters in which form it comes.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblywoman Kalik. Assemblyman VanWagner?

ASSEMBLYMAN VAN WAGNER: Senator, I would like to also thank you and commend you for your concern for New Jersey and your interest in the State legislative process.

I have a concern that perhaps does not go directly to the legislation proposed in Congress, which is here is our Assembly. It is a concern that goes to the concept that I think probably came about through action of the court and ultimate action of the FCC. That was the ultimate breakup of AT&T. I happen to believe that that was

probably one of the worst mistakes that has ever been made in this country, and we will rue the day that that occurred. Besides the dilemma, it is going to continue--

SENATOR LAUTENBURG: I share your view completely.

ASSEMBLYMAN VAN WAGNER: I know you do. Besides the dilemma that is going to be created in terms of what we will fund with casino revenues -- and this argument is an ongoing argument -- it has been going on since 1978 -- the dilemma of the costs of installing service will be a factor that we will face -- of the costs to prepare, not only access. My question is a very simple one: Do you feel, or do you sense in Congress -- I realize it is early yet -- that there will be an ongoing evaluation of the impact of both the court and FCC decisions on what has taken place in terms of breaking up the AT&T so-called monopoly?

I should mention that the monopoly was established, I believe, by Congress in the early 1930's as an acceptable social monopoly because of the importance of communications. I was just wondering if you have seen anything in the Senate or in the House.

SENATOR LAUTENBURG: The question, I think, is a very appropriate one. There are people walking around the halls of legislation in Washington asking why it happened, what permitted it. If you ever saw the classic example of what was working well, and the old story about, "If it ain't broke, why did we bother to fix it?" -- everybody is looking in Washington.

I know what occasioned it. What occasioned it was competition from other carriers. It was the appropriate concern of AT&T that it would fall prey to open competition when there was no longer a monopoly condition, and it would not be able to continue to render the service that it really has rendered exceptionally well in our society.

I've traveled the world over, and I'm sure many of you have, and when you see other countries' communication systems and how difficult -- I'll never forget one time when I was visiting in Italy -- I speak a little bit of Italian -- and when I asked for a phone number, the woman said to me, (woman answers in Italian) -- which means that I

have a reservation to make a phone call from one city to another. The first time she could give me was a day later.

So, when you see that around the world, and you see how well developed our communications system is, again, it makes you wonder why we had to change it. Technology forced change, demand competition forced change, and I'm afraid we are going to have to live with this change. I wish we could put Humpty Dumpty back together again. There are many people in the Senate whom I talk to, and who would like to do the same thing now. I hate to say that aloud because I know Mr. Brown, the Chairman of AT&T, spent years and millions of dollars and the efforts of thousands of people in preparing for this eventuality. The prospect of going back now would probably give him additional nightmares to the ones that he is already having.

I wish that we could return to the former position, and allow AT&T to compete more effectively in some areas. It has happened, and we are going to have to deal with the different ways. I am hopeful -- much more optimistic than either the phone company or some of the other carriers are out there. The technology is going to make an enormous difference, as it has in the past, to continue to keep rates from escalating even further than they did. New Jersey has done very well.

I am hopeful that we will find other ways to fund this change, as opposed to simply laying off the responsibility on the residential or small business users. We have to work toward that, and we have to promote legislation that will encourage research and development. We have to make sure that our country doesn't fall behind, and let others take our communications' business from under our noses. There are lots of foreign manufacturers who want to bring communication equipment into this country. It would be a tragedy if we permitted that to happen.

ASSEMBLYMAN VAN WAGNER: Considering the fact that I sense that communications, even under an open, competitive system, will continue to be regulated by both State Boards of Public Utilities and the Federal Communications Commission, there seems to be almost a dichotomy being created between the issue of open competition and the issue of subsidization, if you will.

Now, I think, what has occurred by this bill and bills that we have unfortunately had to submit at the congressional level to assure people of telephone service -- the Governor will now be involved in subsidizing service to a large extent.

I just wondered again if you think or sense that at least evaluation now -- what we are living with -- will continue to take place in the Congress.

SENATOR LAUTENBURG: I think that the record should be straight on the fact that the subsidy that is proposed at the Federal level is not by way of tax on the citizens, but rather by way of a continued subsidy on long-distance service. Obviously, we all pay the price one way or the other to some point, but I think that we're committed to this course of action for now. The legislation which I proposed was designed to give us a breathing period after the thing was in place to further examine the effects of that and to be able to perhaps legislate with a little more knowledge at hand. That is not what has happened.

The rate increases will go into effect on January 1 unless we do something about them. I would rather take the time that way, not having the elderly or the poor pony up to pay something that they didn't have in the first place while we examine the facts.

ASSEMBLYMAN VAN WAGNER: Thank you.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblyman VanWagner. Assemblywoman Costa, do you have any questions?

ASSEMBLYWOMAN COSTA: Yes. First of all, I would like to make a statement.

I want to commend you, Senator, for sponsoring this Home Phone Act, and also for looking out for New Jersey as far as subsidizing other states. New Jersey, at the present time, subsidizes enough and in the past has not gotten enough of its dollars back.

I have just one question. I didn't get if, if you did say it, about what the bottom line would be as far as how much New Jersey would be receiving.

SENATOR LAUTENBURG: I don't have that calculation yet because we have to get information from the public utilities, but it

will be distributed on a pro rata basis throughout the country. We will get a figure from those who are on the various subsistence programs, and that will determine the share of the total pool of the \$2 million, which is what has been recommended for New Jersey and the other states. I don't know yet how much that is going to be.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblywoman Costa. Senator Lautenburg, again, the Committee thanks you for your presence. You are not only a credit to yourself, but you are also a credit to this Committee. We feel that we are the hardest working Committee in the Legislature.

We thank you for all the time you spent in response to the questions put forward by members of the Committee. We know you have a tight schedule, so thanks again. We would like to have you back on another occasion when you feel it appropriate to appear before us.

SENATOR LAUTENBURG: Thank you.

ASSEMBLYMAN JANISZEWSKI: I would like to call Assemblyman Doyle back to the microphone for any additional questions that the Committee members may have of the bill's sponsor. I would like to also note that Assemblyman Paterniti has requested to speak on this particular measure.

If there are any others who may wish to speak on this, we have witness lists at the front here. They should be at the staff table. If you wish to speak, please notify the Committee staff so that you might be called at the appropriate time.

Assemblyman Doyle.

ASSEMBLYMAN DOYLE: I don't have any additional statements. I would just like to talk about some of the comments that were made -- Assemblywoman Kalik's appropriate comments with respect to the renters. As we have had to do in the past, we have had to draw separate bills. The telephone is, in fact, universal, to use the Senator's word, and so, a single bill suffices.

Secondly, there was some mention made of dollars. With respect to dollars, there are sufficient funds in the Casino Fund. It is not a question of using that money for some other purpose. It is a dedicated fund, and this is one of the dedicated purposes.

I'm aware of the Federation's statement, and it is not a statement of abject opposition, but one rather, it seems to me, of timing that was called in today.

With respect to the tie in between the Federal and State, certainly, I am very pleased and proud that Senator Lautenberg cared enough to come to testify about my bill, and that we do have this joint approach. There is no need, I don't think, in either Federal or State legislation to tie in. I think that would hamstring both measures. The fact is that the tie in is one that is more conceptual, that is, two separate approaches to a similar problem using separate funds. The net effect of both approaches, in toto, would be that those who qualify for both programs would not have to pay for the increase, given the fact that these same disabled and senior citizens with low incomes are already burdened. At least we want to leave them in the statusquo. They would be no worse than they would have been because of something that they had no control over whatsoever -- the divestiture of Ma Bell.

ASSEMBLYMAN JANISZEWSKI: Assemblyman, just for purposes of the record, let me be clear. There was some discussion a little bit earlier when the Senator was at the microphone that there might be a connection between the two bills, both the Federal and the legislation proposed by yourself, with regard to some direct connection between the two, which would make one a match against the other. I don't think that is the case.

ASSEMBLYMAN DOYLE: I don't think that is the case, nor do I think it should be.

ASSEMBLYMAN JANISZEWSKI: No, it is not the case. The Federal bill is aimed at, in the Senator's words, "addressing approximately 50% of the problem across the board." Your legislation, on the other hand, would pull up the other 50%.

Assemblyman Villane?

ASSEMBLYMAN VILLANE: Now I'm confused, John. In an effort to clear it up in my own mind, I thought that the Senator said that the Federal dollars would be utilized in the State of New Jersey, provided that there is a match at the State level. I'm pretty sure that is what he said.

ASSEMBLYMAN DOYLE: Number one, I don't know that there has to be a match. Secondly, we're not providing this as a match in the dollar-for-dollar sense. When we use the term "match," I think we're both thinking in terms of -- to give a local example -- a sure protection where you only get the State's 50% if you put up a local 50%.

I don't understand their debate -- that mandatory max so that we have to come up with the money to get the Federal money. The Federal money would be there. It would go to the State, and the State would appropriate it and disburse it in a way that they thought was appropriate.

ASSEMBLYMAN VILLANE: I thought what he said was, and I don't want to belabor the point--

ASSEMBLYMAN DOYLE: Let me just finish the thought.

ASSEMBLYMAN VILLANE: (continuing) I thought what he said was that the legislation ought to be written so that-- What I understand Senator Lautenberg to say is that the Federal money is available if the State is willing to match that for that particular utility cost.

ASSEMBLYMAN DOYLE: The Federal money would be available, period. The fact of the matter is that the Federal money is only covering half of the proposed increase. It would not do all of the job of the cost forced upon the senior citizens and disabled. This would be matching in the sense that they would both be about half the problem, but they are not integrated or depending or relying on the other.

ASSEMBLYMAN VILLANE: You say the appropriation is about \$15 million. I think the bill addresses a six-month period.

ASSEMBLYMAN DOYLE: That is \$15 million, and really, the figure more appropriately is \$17 million. That is on an annualized basis.

ASSEMBLYMAN VILLANE: And, you're appropriating \$15 million in this piece of legislation, but it only provides for six months. Isn't that too much money?

ASSEMBLYMAN DOYLE: It may well be that that number on an annualized basis for a six-month period should be reduced to a figure that probably would be more appropriate on the six-month basis -- \$8.5 million.

ASSEMBLYMAN VILLANE: Okay, that is one problem. The other problem is that you're talking about implementation before there is any increase from the divestiture.

ASSEMBLYMAN DOYLE: Well, let's look. I have a note to myself -- timing about two things: one is, what the Committee does today; and the second thing is, the ultimate adoption of the bill. Your question was about the ultimate adoption of the bill.

Based on what we are now told, that January 1 figure, or at least what we were given to understand when the bill was drafted in late August, the January 1 figure date was appropriate. Based upon the Senator's comments today, it is suggested that maybe that date is a little on the early side. You might want to provide a different triggering mechanism.

On the other hand, if that date is right, or close to right, given the fact that, sure it is good news to all of us that we will not be meeting until after November 8, which has some significance obviously, we will be faced with limited time to get this bill enacted into law. It still has to move through the whole House and the other House. So, I would think that if it is at least in a position to make that difficult transit in limited time -- if we're faced with January 1 -- then this Committee would respectfully, after doing whatever it needs to do to amend it, vote it out today, so that it could be in that position to move as quickly as possible.

ASSEMBLYMAN VILLANE: I don't see any problem in voting the bill out, John. I just hope that we amend the bill in a proper fashion that utilizes the right time. The rate increase is not supposed to take effect until the Spring of 1984, and I think we have to look at a couple of things.

Number one is the number of dollars we are talking about for the number of months that we're talking about utilizing it for. I

think that ought to be accurate. I think that the implementation date ought to be accurate, and I think we ought to be clear about if and when Federal dollars come down, that this program is not outmoded or doesn't properly match with the Federal program.

I don't have any problem with the bill, but I think we ought to be specific on the bill.

ASSEMBLYMAN DOYLE: The dollars, I think, we've discussed already. It is just an arithmetic calculation -- multiplying the number of people who are on Lifeline presently. We know that.

ASSEMBLYMAN VILLANE: John, Lifeline is the same as the PAA, right?

ASSEMBLYMAN DOYLE: Yes.

ASSEMBLYMAN VILLANE: Fifteen for couples--

ASSEMBLYMAN DOYLE: That is right, twelve and fifteen, multiplying that by \$60.00 per year annualized, and adding a factor for administration.

The second issue was picking a date from the calendar. That is obviously arbitrary based upon the best information you have. If there is another way of setting that date, such as April 1, or not a fixed date, but a date that will say, "The program will go into effect within thirty days after," or whatever, fine. I think the Committee could arrive at that and amend it very easily, so as to report it out.

The third question you raised was the Federal and State measure. As I've said, and I think I'm correct, there is not, nor should there be language such as we are familiar with, that this does not become effective until a Federal enactment or whatever -- that is not the present concept of it. The mesh is that they both happen to be taking 50% of a problem, which in toto is 100%.

ASSEMBLYMAN VILLANE: I wouldn't suggest that you put that language in the bill, but merely the language to say that if and when the Federal legislation is implemented, Federal funds may require a match so that this program could be utilized in that fashion. In that way, if the \$15 million is needed out of that Casino Revenue money to get a \$15 million draw-down from the Federal government, if that is the way that the thing finally comes out of the Feds, then the program will still be effective.

ASSEMBLYMAN DOYLE: I understand that.

ASSEMBLYMAN VILLANE: It might be a good thing to add to your bill.

ASSEMBLYMAN DOYLE: Fine, I have no problem with that.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblyman Villane, and others on the Committee. Since there are no further questions, Assemblyman Doyle, thank you very much.

I would next like to call Assemblyman Paterniti who is going to speak on Assembly Bill 3913.

A S S E M B L Y M A N T H O M A S H. P A T E R N I T I: Thank you very much, Mr. Chairman. First of all, I would like to applaud Assemblyman John Doyle on A-3913, and also Senator Frank Lautenberg for the input he had on this bill from the Federal level.

I think it is a much needed subsidized service for the elderly and disabled. I chair the Committee on Aging, and that is why I am very interested in this particular piece of legislation.

This past year I conducted several public hearings throughout the State of New Jersey to get input from various groups on what some of the needs of the senior citizens are. I had approximately sixty various groups come before me, and some of the needs that they highlighted were housing, utility costs, and food.

We use the term Lifeline. Actually the telephone probably is really a true lifeline.

Earlier today, I happened to be speaking to someone in the Chamber, and he mentioned that a member of his family had become seriously ill -- an elderly person. Naturally, he tried to assist that particular person, but the first thing he reached for was the telephone to get the paramedics. Today, that person is alive. So, it is truly a necessity and something that is really needed.

I also feel that the seniors have made a very much needed contribution, and we must provide for those who have provided for us. As you know, the senior citizen population is on a dramatic increase. In 1910, it was estimated that they were about 4% of our population or three million people. Today they are up to about twenty-six million or 11%. By the year 2020, they will be up to about 18% of our population.

The important thing is that we have to keep them from becoming seriously ill. It is better medicine to treat someone when they are vertical than when they are horizontal. If they are treated early enough, they may not be completely bedridden for the rest of their lives.

Again, I want to commend both our U. S. Senator and our Assemblyman for this fantastic piece of legislation. Thank you very much.

ASSEMBLYMAN JANISZEWSKI: Thank you, Assemblyman Paterniti. Are there any other people who wish to be heard at this public hearing? (no response)

Seeing none, the public hearing on A-3913 will stand closed. I should note that the Committee has a regular Committee meeting scheduled in Room 348 of the State House Annex. An agenda for that meeting has been passed out, and those interested in bills on that agenda should report to Room 348. It is now 12:20 P.M., and we should reassemble at 12:30 P.M. in Room 348.

Thank you.

(Hearing concluded)

