

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 28, 2003

TO: Honorable Phil King, Chair, House Committee on Regulated Industries

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3186 by Hill (Relating to the compensation of a municipality for the use of public right-of-way by providers of local exchange telephone service.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The Public Utility Commission indicates that some costs may be associated with implementation of the bill. It is assumed that any costs associated with the implementation of the bill could be absorbed with current resources.

Local Government Impact

The cities of Plano and Addison reported that implementing the provisions of the bill could result in additional revenue for their cities. Using the same base as used by the State Comptroller's Office (sales taxable telecommunications services) instead of the current base certified by the Public Utility Commission (access line calculation) would simplify the process now used. Cost savings could result from the change from the authorized review process for access lines to the simpler sales tax review. For example, the current authorized review process costs \$7,500 to \$10,000 each; costs could decrease by at least one-half of that amount using a sales tax base. This is assuming reasonable and timely access to the telecommunication sales tax data, which should be filed at the PUC as well as at the Comptroller's Office for confidential access by cities. There could also be additional revenue for municipalities due to using a more accurate base and reports. Prompt collection of readily verifiable fees owed to cities could result in significant revenues to cities.

On the other hand, the city of Dallas reported that changing the way that cities are compensated for use of right-of-way by telecom providers from access line methodology to using a percentage of sale taxable receipts would result in a loss of \$4.6 million in revenue, down from \$8.8 million. This is because sales taxable receipts and revenue for the telecom sector have decreased more rapidly than access line counts.

The cities of Austin, Houston, and San Antonio reported that the bill would have no significant impact on their budgets.

The PUC anticipates that there would be impacts on local governments as a result of the bill. Cities may be called upon to participate in workshops to provide input in rulemakings. Further, the development of new rates would mean that each city would have to provide updated base amount information to the PUC.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 601 Department of Transportation

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