

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 21, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB789 by King, Phil (Relating to communications; providing penalties.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend the Utilities Code to restructure the regulatory parameters for telecommunications in Texas. The bill would establish a path for further deregulation of the incumbent local exchange companies' (ILECs) local service rates, reducing switched access charges, eliminate certain regulatory requirements of ILECs, develop a technology-neutral mechanism applicable to voice and video providers to compensate municipalities for use of the public rights-of-way, and provide for a third-party review and analysis of the universal service fund.

The bill would allow certified telecommunications utilities to recover the telecommunications infrastructure assessment from customers once the balance in the fund exceeds \$1.5 billion from assessment deposits. The bill does not continue the telecommunications infrastructure assessment, and all changes to the fund would take effect only if it is continued.

The bill would direct most appeals of Public Utility Commission (PUC) orders related to telecommunications fair competition and competitive safeguards to the Third Court of Appeals in Travis County. In addition, the bill would result in the referral to the State Office of Administrative Hearings of additional contested cases by PUC.

The analysis of the Public Utility Commission indicates that costs related to additional duties associated with the bill would be offset by a reduction in resources needed for regulatory functions that would become unnecessary, and that any net increase in costs could be absorbed within existing resources.

The Third Court of Appeals in Travis County indicates that the bill would generate many additional appeals to the Court. However, this estimate assumes that the cost of additional appeals to the Court would be offset by case transfers to other intermediate appellate courts under the Supreme Court's equalization of the dockets program.

It is anticipated that any increase in costs associated with the bill for the State Office of Administrative Hearings could be absorbed within the agency's existing resources.

The Comptroller of Public Accounts indicates that any administrative costs associated with the bill could be absorbed within the agency's existing resources. The Comptroller of Public Accounts also indicates that the effect of repealing the fee on automatic dial announcing devices would not be significant.

The bill would take effect September 1, 2005.

Local Government Impact

The Public Utility Commission anticipates that local municipalities could be impacted by amended Section 54.204 regarding pole attachment fees, and the repeal of Section 54.2025 which currently allows municipalities to lease dark fiber. In addition, Section 54.2055, which would require the Public Utility Commission to develop a new assessment mechanism for providers to compensate municipalities for the use of public rights-of-way, could result in a positive impact to municipalities.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 223 Third Court of Appeals District, Austin, 360 State Office of Administrative Hearings, 475 Office of Public Utility Counsel, 529 Health and Human Services Commission

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