

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**February 22, 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 telecommunications.), **As Introduced**

**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 contingent upon reductions in access charges and universal service fund (USF) support, 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 review and analysis of the USF with possible reductions in disbursements.

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.

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

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 54.2025, which appears to allow only municipalities that operate a municipal electric system formed under Chapter 163 to lease dark fiber, while currently all municipalities are allowed to lease dark fiber regardless of whether they own a utility. In addition, Section 54.205(b), which would require that the Commission develop a new assessment mechanism for providers to compensate municipalities for the use of the public rights-of way, could result in a positive impact to municipalities.

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

**LBB Staff:** JOB, WP, JRO, MW, RB, KJG, TB