

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

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

**February 15, 2005**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

**IN RE: SB332** by Fraser (Relating to furthering competition in the telecommunication industry.), **As Introduced**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would amend the Utilities Code to deregulate telecommunications rates and services for each telephone exchange in Texas as of August 1, 2007 unless the Public Utility Commission (PUC) would determine that it should remain regulated. The bill would cap rates for residential basic local telecommunications services at August 31, 2005 rates. Companies that have some, but not all, markets deregulated would be subject to reduced switched access charge rates. Upon deregulation of a company's last market, the company would be subject to further reductions of its switched access charge rates and reduced disbursement of Texas Universal Service Fund (TUSF) support. In addition, all companies holding operating certificates issued by the PUC would be prohibited from engaging in anti-competitive pricing practices. The bill would establish a Code of Conduct for wholesale providers of telecommunications services and would grant the PUC jurisdiction to establish wholesale performance benchmarks and reporting requirements. The bill would also establish a legislative oversight committee that would conduct joint public hearings with the PUC regarding the introduction of competition of telecommunications services.

The analysis of the PUC 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 State Office of Administrative Hearings indicates that costs associated with increases in contested cases anticipated by the PUC due to implementing the provisions of the bill could be absorbed within existing resources.

The bill would take effect September 1, 2005.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 360 State Office of Administrative Hearings, 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel

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