

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4840-03
Bill No.: SB 1066
Subject: Public Service Commission; Telecommunications.
Type: Original
Date: February 24, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public Service Commission (PSC)** state the bill will allow companies to file a request with the Commission to either not reduce rates when the CPI adjustment is negative or to apply CPI adjustments to certain exchanges or calling scopes. The PSC will have to review these requests, potentially hold a hearing to gather evidence, and determine whether the request is reasonable.

The PSC states this proposal will directly affect Total State Revenues because tax revenues are determined based on a customer's total bill amount for telecommunications services. If basic local rates are not reduced, or are targeted to a specific exchange or calling scope, tax revenues will be impacted.

The PSC assumes the proposal will impact small businesses since the proposed legislation states that when the CPI index is negative, basic local rates do not have to be reduced upon a finding of just cause by the Commission. To the extent small businesses have basic local service, rates will not decrease. Also, for telecommunications companies that are classified as small businesses, the companies will not see a decrease in revenues if it is determined that rates do not have to be reduced consistent with CPI adjustments. Small businesses may also be impacted by CPI adjustments that are targeted to specific exchanges or calling scopes as opposed to applied to all

ASSUMPTION (continued)

customers throughout the incumbent's service area.

The PSC assumes no fiscal impact from the proposal.

Officials from the **Department of Economic Development - Office of Public Counsel** assume the proposal will not fiscally impact their agency.

Oversight assumes this proposal may result in prices of exchange access and basic local telecommunications service not being reduced if the Consumer Price Index - Telephone Service for the preceding twelve months is negative. Oversight is not aware if this has ever occurred or if it is expected to occur within the time frame of the fiscal note. Oversight assumes this would not increase prices, but would allow for the possibility of some prices not being reduced. Therefore, Oversight will not reflect a fiscal impact from the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small telecommunications businesses and possibly even all small businesses that have telephone service (when the CPI-TS for the previous twelve months has been negative) could be fiscally impacted as a result of this proposal.

DESCRIPTION

The proposal provides telecommunication companies subject to price cap regulation the opportunity to request a waiver from the Public Service Commission of the requirement that tariffs be filed to reduce rates for any service in which the current rate exceeds the maximum allowable price. The request may be made in the event that the CPI for the preceding twelve months is negative and all revenues attributable to such a waiver shall be used for the purposes approved by the commission to benefit local ratepayers. Any request for a waiver must first be approved by the commission, for good cause shown, before taking effect.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission
Office of Public Counsel



Mickey Wilson, CPA
Director
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