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FISCAL IMPACT REPORT

SPONSOR	Rodella	ORIGINAL DATE	01/27/14	HB	23
		LAST UPDATED		SB	
SHORT TITLE	Incumbent Rural Telecomm Carrier Rates			SB	
		ANALYST	Graeser		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
NFI	NFI	NFI	Recurring	General Fund GRT
	Unknown	Unknown	Recurring	NM Rural Universal Service Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Information Technology (DOIT)

Regulation and Licensing Department (RLD)

SUMMARY

House Bill 23 amends a 1999 law regulating retail rates of Rural Telecommunications providers. This is apparently a final correction to last year's HB 58 (Laws 2013, Chapter 194) to restructure rate setting for "Rural Incumbent Telecommunications Carriers." Under current law and practice, rural telecoms providers file rate cases with the Public Regulation Commission (PRC) based on revenue, expenses and investment. The PRC analyzes the case and is effectively required to guarantee the provider rates that will provide an adequate return on investment. The bill completes last year's restructuring and renders that requirement into a recommendation based on the same factors, but allows the PRC commissioners a certain degree of freedom to provide rates lower (or higher) than those provided under traditional analysis.

FISCAL IMPLICATIONS

Although telecommunications are subject to the Gross Receipts Tax (GRT) and this proposal has the possibility of moderating rural telecoms rates, thus reducing State and County GRT, any impact would be far outside the budget period. It is also possible that this proposal would marginally decrease Corporate Income Tax as moderating rates would also have a collateral effect of decreasing profits of the rural telecoms providers. As pointed out in last year's PRC comments on HB 58, this restructuring may also change petitions to the commission for access to the \$26 million balances in the New Mexico Rural Universal Service Fund.

EFFECTIVE DATE

July 1, 2014.

LG/ds