

**NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.**

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR: Sanchez, M. DATE TYPED: 2/25/03 HB \_\_\_\_\_

SHORT TITLE: Acquisition of Telecommunications Companies SB 774

ANALYST: Padilla

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Regulation Commission  
Attorney General's Office

### SUMMARY

#### Synopsis of Bill

Senate Bill 774 adds a new section to the New Mexico Telecommunications Act to provide the PRC with the regulatory authority to approve any merger, consolidation, or transaction resulting in a change of control involving either telecommunications companies or the stock of a telecommunications company. A telecommunications company involved in a consolidation, merger, etc. must seek the prior authorization of the PRC; otherwise the transaction would be void. The bill applies to all telecommunications companies that provide local exchange service in New Mexico and are regulated pursuant to the provisions of the New Mexico Telecommunications Act and the Rural Telecommunications Act.

#### Significant Issues

1. The PRC notes that the bill provides the same authority over transactions regarding telecommunications companies as it already has over electric, natural gas, water and wastewater utilities. The bill allows the RPC to review acquisitions, consolidations, mergers, etc. of local exchange

telecommunications companies and approve, deny or modify these transactions with regard to protecting the public interest.

2. The AGO notes that the New Mexico Supreme Court has held that, per existing statute, the PRC does not have authority to approve or reject mergers, consolidations, etc. involving the holding companies of telecommunications companies that provide local exchange service. It did, however, hold that the PRC could impose conditions on such transactions. According to the AGO, this bill would clarify that the PRC does have authority to approve such transactions to ensure the transaction is in the public interest.
3. The bill does not state what the scope of a PRC review of mergers, consolidations, etc., would be.

### **ADMINISTRATIVE IMPLICATIONS**

This bill would result in minor caseload increase at the PRC.

### **POSSIBLE QUESTIONS**

1. What would a PRC review of mergers, consolidations, etc. of telecommunications companies entail?
2. Should the PRC's ability to review transactions involving telecommunications companies that provide local exchange service be the same as its ability to review transactions involving other utilities?

**LP/njw**