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## FISCAL IMPACT REPORT

SPONSOR Griego DATE TYPED 2/11/04 HB \_\_\_\_\_

SHORT TITLE Switched Telecommunication Access Rates SB 168/aSCORC/aSJC

ANALYST Gilbert

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Response Received From  
Public Regulation Commission (PUC)

### SUMMARY

#### Synopsis of SJC Amendment

The Senate Judiciary Committee amendment reverses the SCORC amendment by giving the commission the authority to apply the surcharge on all intrastate retail public telecommunications services provided by telecommunications carriers, and to comparable retail alternative services provided by telecommunications carriers and non-telecommunications carriers, instead of requiring them to do so for the purpose of funding the fund.

#### Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment to Senate Bill 168 adds language to §63-9H-6B STATE TELECOMMUNICATIONS ACCESS REFORM FUND – ESTABLISHMENT to limit to total revenue that can be collected annually as follows:

B. The fund shall be financed by a surcharge on all intrastate retail public telecommunications services revenue, excluding revenue from services provided pursuant to a low-income telephone assistance plan billed to end-user customers by a telecommunications carrier, and excluding from revenue all amounts from surcharges, gross receipts taxes, excise taxes, franchise fees and simi-

lar charges. For the purpose of funding the fund, the commission [~~has the authority to~~] shall apply the surcharge on all intrastate retail public telecommunications services provided by telecommunications carriers and to comparable retail alternative services provided by telecommunications carriers and non-telecommunications carriers to the extent not prohibited by federal law, including commercial mobile radio services, operator services and aggregator services, offered by providers other than telecommunications carriers, at a competitively and technologically neutral rate or rates to be determined by the commission. In prescribing competitively and technologically neutral surcharge rates, the commission may make distinctions between services subject to a surcharge, but it shall require telecommunications carriers and non-telecommunications carriers to apply uniform surcharge rates for the same or comparable services. The commission shall set surcharge rates so that no more than twenty-five million dollars (\$25,000,000) in surcharge revenues are collected annually. Money deposited in the fund is not public money, and the administration of the fund is not subject to the provisions of law regulating public funds. The commission shall not apply surcharges to a private telecommunications network.

### Synopsis of Original Bill

Senate Bill 168 amends the State Universal Service Fund statute §63-9A-8.2 NMSA 1978 and §63-9H-6 NMSA 1978 to rename the rural universal service fund to the telecommunications access reform fund (TARF). The TARF is financed by a surcharge on all intrastate retail public telecommunications services and will be managed by a neutral third party administrator.

The Public Regulation Commission (PUC), through rulemaking, is directed to: (1) establish eligibility criteria for participation in the TARF, (2) establish a benchmark rate for basic services that will be utilized in determining affordability of basic services, (3) provide for the collection of the surcharge on a competitively neutral basis and the administration and disbursement of money from the TARF, (4) authorize payments from the TARF to carriers, in combination with revenue-neutral rebalancing up to the benchmark rate, in an amount equal to the revenue reduction resulting from the reduction in intrastate access charges, and (5) allow telecommunication companies that reduce intrastate switched access charges to increase rates for basic services to implement the revenue-neutral switched access price reductions.

The PUC must commence the process of phase-in of reductions of intrastate switched access charges to the level of interstate switched access charges (FCC established rates in effect on January 1, 2004) by January 1, 2005, with February 1, 2007 as the completion date. The PUC and telecommunications carriers are required to make a joint report to the legislature by December 1, 2007 regarding the effects of access reductions and recommendations for any changes to the structure, size or purposes of the TARF.

§63-9A-8.2, which currently covers Valor and Qwest, is amended to clarify that implicit subsidies should be eliminated through implementation of the state telecommunications access reform fund rather than the state rural universal service fund.

### **FISCAL IMPLICATIONS**

According to the PUC, implementation of this bill will be revenue neutral.

**ADMINISTRATIVE IMPLICATIONS**

PUC staff will be able to administer the directives made by SB 168 with current resources.

**TECHNICAL ISSUES**

HB 24 also amends §63-9A-8.2, and if both bills pass the amendments should be reconciled.

**OTHER SUBSTANTIVE ISSUES**

According to the PUC, this bill resulted from several informal workshops ordered by the PUC in response to a staff petition to convene a workshop to address intrastate access reform. The petition was initiated as a proactive response to legislation on access surcharges introduced, but not passed, during the 2003 regular session.

**RLG/lg:yr**