

Fiscal Note & Local Impact Statement

123rd General Assembly of Ohio

BILL: **Sub. S.B. 235** DATE: **December 7, 2000**
STATUS: **As Enacted – Effective April 5, 2001** SPONSOR: **Sen. Ray**
LOCAL IMPACT STATEMENT REQUIRED: **Yes**
CONTENTS: **Redefines “basic local exchange service” under alternative telephone regulation law**

State Fiscal Highlights

STATE FUND	FY 2001	FY 2002	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	Potential gain; later potential loss
Expenditures	- 0 -	- 0 -	- 0 -
Utility and Railroad Fund (Fund 5F6)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease	Potential decrease

Note: The state fiscal year is July 1 through June 30. For example, FY 2001 is July 1, 2000 – June 30, 2001.

- Rate increases on certain telecommunications services other than basic local exchange service could increase public utility excise tax receipts (95.2 percent of such receipts go to the GRF). Over time, competition would lead to decreasing public utility excise tax receipts.
- The redefinition of basic local exchange service could decrease the cost of alternative regulation procedures to the PUCO.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2000	FY 2001	FUTURE YEARS
Counties, school districts, municipalities and other local governments			
Revenues	- 0 -	- 0 -	Potential gain, then loss
Expenditures	- 0 -	Potential increase	Potential increase or decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Schools and other local government facilities could experience rate increases for telecommunications services. Such rate increases would increase costs to local governments.
- Rate increases on telecommunications services other than primary basic local exchange service could increase public utility excise tax receipts. 4.2 percent of such receipts go to the Local Government Fund and 0.6 percent goes to the Local Government Revenue Assistance Fund. Over time, such revenues would fall due to increased competition.



Detailed Fiscal Analysis

The bill redefines “basic local exchange service” in alternative regulation law. In accordance with the revised definition, “basic local exchange service” would pertain to end user access to and usage of *certain telephone company provided services* rather than access to and usage of *telephone company facilities*, as is the case under current law. Under the new definition, basic local exchange service would entail only access to and usage of the primary line serving a customer’s premises rather than access to or usage of the local exchange company network. The new definition considers only voice communication services as part of basic local exchange service and excludes the exchange of data or image communications from the definition. Finally, the bill further clarifies the definition of basic local exchange service by enumerating the features of basic local exchange service. The revised definition is narrower than could be construed under current law. Thus it would increase the flexibility of alternative regulation law in the face of increased local competition. A company would have a greater ability to respond to competitive pressures by varying its services and the prices of those services. Specifically, a company would know which rates and services it could change without having to go through the process of a rate-type alternative regulation hearing before the Public Utilities Commission (PUCO). This would reduce the cost to the PUCO of entertaining proposals by a local telephone company. It would also reduce the cost to telephone companies, and they would be more likely to make changes.

Since the bill defines basic local exchange service to include only access to and usage of the primary line serving a customer’s premises, it would be permissible for a local exchange company to increase telephone rates on additional lines. This could affect rates paid by many school buildings, as well as county or municipal facilities. (The larger the customer, the more likely it would have a competitive option – especially in the near future – so it is less likely that a large customer’s rates would increase. Medium-sized customers in less urban areas would be more likely to be affected.)

To the extent that local exchange carriers were able to raise rates on certain local exchange services not included in the definition of basic local exchange service (such as call waiting or voice mail) or on additional lines to certain to midsize or larger telecommunications customers, receipts from the public utility excise tax could increase. These receipts would then decrease over time as competition increased. (In particular, falling wireless rates will act as a competitive break on price increases for wire-based services).

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