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Fiscal Note & Local Impact Statement

Bill: H.B. 402 of the 132nd G.A. (L_132_1780-3)

Status: In House Public Utilities

Sponsor: Rep. Hill

Local Impact Statement Procedure Required: No

Subject: Revise telephone company regulations

State & Local Fiscal Highlights

- The bill revising state regulation of telephone companies may reduce administrative costs for the Public Utilities Commission of Ohio (PUCO). Any decrease in such costs would reduce expenses paid from the Public Utilities Fund (Fund 5F60).
- Those political subdivisions that utilize basic local exchange service from their telephone company may incur minimal increases in governmental expenditures based upon the provisions in H.B. 402.

Detailed Fiscal Analysis

H.B. 402 further deregulates certain aspects of telecommunications services, a process that began with S.B. 162 of the 128th General Assembly, with changes to telecommunications service requirements, especially in regard to the provision of basic local exchange service (BLES) and PUCO's authority and jurisdiction over certain telecommunications services. Additionally, the bill expands the law governing the 9-1-1 system to include providers that are not covered by current law. Under the bill, state telecommunications policy, as enumerated in the Revised Code, is amended to be consistent with the bill's deregulation of certain aspects of telecommunications services.

To the extent that local governments utilize BLES, the bill will likely raise their expenditures for telephone service. H.B. 402 modifies the amount by which an incumbent local exchange carrier (ILEC) may increase rates for BLES. The bill allows an ILEC to increase its BLES rates in a 12-month period by up to 20% of ILEC's "current and total" BLES rate or by up to $1.25. Current law restricts an ILEC's BLES rate increase to $1.25 per 12-month period. However, under the bill, PUCO must allow an ILEC to increase its BLES rates by any amount necessary to comply with the Federal Communications Commission's (FCC's) eligibility requirements for the federal Universal Service High-Cost Program. H.B. 402 allows PUCO to order these rate increases to be phased in over a period not to exceed three years if PUCO determines the phase-in is necessary to protect the public interest.

The deregulation aspect in the bill may reduce expenditures incurred by PUCO. H.B. 402 conditionally removes the requirement of PUCO approval for: (1) a person to acquire control, directly or indirectly, of a domestic telephone company or a holding company controlling a domestic telephone company, and (2) a domestic telephone company to merge with another domestic telephone company. Under the bill, PUCO would not need to approve these types of acquisitions or mergers if there is a pending application with the FCC regarding the matter, unless the FCC chooses not to exercise its authority regarding the matter. Any decrease in costs likely would reduce expenditures from appropriation item 870622, Utility and Railroad Regulation, which draws on the Public Utilities Fund (Fund 5F60).[1]

Synopsis of Fiscal Effect Changes

The bill's fiscal effects remain unchanged under the substitute bill.

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[1] Fund 5F60 receives funding from an assessment on the utilities regulated by PUCO. The amount of the assessment is based on the amounts appropriated by the General Assembly for line items drawing on Fund 5F60. More details can be found in the Catalog of Budget Line Items (COBLI), an LSC publication that can be found on the LSC website.