


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 10-0872
Prime Sponsor(s): Rep. Casso
 Sen. Spence

Date: March 8, 2010
Bill Status: House Transportation and Energy
Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING THE DEREGULATION OF TELECOMMUNICATIONS SERVICE IN AREAS WHERE SUFFICIENT MARKET COMPETITION EXISTS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
General Fund	\$8,251	\$4,680
Cash Funds		
PUC Fixed Utility Fund*	275,046	156,000
State Expenditures		
Cash Funds		
PUC Fixed Utility Fund	\$220,637	\$120,630
FTE Position Change	2.4 FTE	1.5 FTE
Effective Date: August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: None.		

* Revenue is higher than expenditures to account for Expenditures not Included shown in fiscal note.

Summary of Legislation

Under current law, when the Colorado Public Utilities Commission (PUC) in the Department of Regulatory Agencies finds that specific telecommunications services have sufficient competition, the level of regulation of those services may be reduced. This bill requires that wireless telecommunications, cable telephone service, and voice-over-internet-protocol (VoIP) be considered as similar services to land line providers. This increases the number of providers to be considered by the PUC when evaluating the competitiveness of a specific market.

The bill also requires that if a basic local exchange provider, which is fully regulated, has less than 66 percent of the number of lines it had as of December 31, 2001, the PUC relax that provider's level of regulation. At the same time, if a provider that is competing with the local provider is exempt from PUC regulation, that provider will lose its exemption and be regulated at the same level as the local provider.

State Revenue

This bill is expected to increase state revenue by \$283,297 in FY 2010-11 of which \$275,046 will be credited to the Fixed Utility Fund (FUF) and \$8,251 to the General Fund. In FY 2011-12 state revenue will increase by \$160,680 of which \$156,000 will be credited to the FUF and \$4,680 to the General Fund.

Fixed utilities such as intrastate telecommunications, electric, water, and gas, pay a fee based on a percentage to their gross annual operating revenues. The Department of Revenue calculates the financial obligation of each utility annually to be paid in equal quarterly installments. The General Fund receives 3 percent of these fees.

State Expenditures

Expenditures to the PUC will increase by \$220,637 and 2.4 FTE in FY 2010-11 and \$120,630 and 1.5 FTE in FY 2011-12 from the FUF. Detailed expenditures are shown in Table 1.

Table 1. Expenditures Under HB10-1281		
Cost Components	FY 2010-11	FY 2011-12
Personal Services	\$153,373	\$89,028
FTE	2.4	1.5
Operating Expenses and Capital Outlay	11,483	1,450
Legal Services	55,781	30,152
TOTAL	\$220,637	\$120,630

In FY 2010-11 the PUC will issue a declaratory ruling for interpreting this legislation followed by the issuance of emergency and permanent rules. The fiscal note expects Qwest, which is currently fully regulated, to file an application for reclassification. The reclassification process will include application review, pre-hearing preparation, and multi-party Commission proceedings. Legal services from the Department of Law for FY 2010-11 are \$55,781 and 0.4 FTE.

This analysis assumes that the application from Qwest will be approved and that the result will be an increase of approximately 100 filings to the PUC from other providers. This includes certification applications from service providers that are not currently regulated. For FY 2011-12, the PUC will continue to handle an increase in filings as well as complaints, but will not have the costs associated with the declaratory ruling and reclassification process. Legal services for FY 2011-12 are \$30,152 and 0.2 FTE.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under 1281*		
Cost Components	FY 2010-11	FY 2011-12
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$14,507	\$9,319
Supplemental Employee Retirement Payments	5,620	4,029
Indirect Costs	25,114	16,132
Worker's Compensation and Risk Management	586	377
Leased Space	8,582	5,513
TOTAL	\$54,409	\$35,370

**More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>*

State Appropriations

For FY 2010-11, the Department of Regulatory Agencies requires an appropriation of \$220,637 and 2.0 from the PUC Fixed Utility Fund. Of this, the Department of Law requires \$55,781 and 0.4 FTE, reappropriated funds.

Departments Contacted

Regulatory Agencies