

RATES FOR ADJACENT LOCAL CALLING AREAS



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FISCAL ANALYSIS

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HOUSE BILL 6097 SUBSTITUTE (H-2)

Sponsor: Rep. Jason Allen

House Committee: Energy and Technology

FLOOR ANALYSIS - 12/4/02

Analyst(s): Bob Schneider

SUMMARY

Under current law, large incumbent local telephone carriers servicing more than 250,000 end users are required to bill calls made to local calling areas that are adjacent to the caller's local calling area as local calls – rather than requiring long distance rates. The requirement covers the state's two largest local phone providers – SBC Ameritech and Verizon. The bill would extend this provision to require smaller (less than 250,000 end users) incumbent local telephone providers to provide local calling to adjacent calling areas pursuant to a rate plan approved by the Commission. If no plan is approved by the Commission by January 1, 2004, the smaller incumbent providers would have to begin billing calls to adjacent calling areas as local calls at that time. Competitive local telephone providers would continue to be exempt from this restriction.

The State imposes a 6% use tax on charges for local and long distance telephone calls. Some local governments also impose similar taxes. The bill would tend to reduce long distance charges on phone bills since certain calls would no longer be subject to long distance rates. However, these reductions would likely be offset by increased rates charged for local phone service. Thus, the bill should have no overall fiscal impact on the State or on local units of government.