HB 110

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 110 (Delegate Stern)
Environmental Matters

Telecommunications Carriers - Prohibited Actions - Penalties and Reporting Requirements

This bill: (1) defines "telecommunications carrier" and "telecommunications service" to reflect current technologies and services in voice and data transmission; (2) creates a list of prohibited actions, and accompanying penalties, relating to the development of competition in the telecommunications (telecom) market; and (3) requires the Public Service Commission (PSC) to monitor, analyze, and report on a host of data, both independently gathered and provided by telecom companies, that characterize the telecom market.

Fiscal Summary

State Effect: FY 2003 PSC general fund expenditures could increase by $178,600 for additional positions. General fund revenues could increase due to new penalty fees. Out-years reflect annualization and inflation. General fund expenditures made for the benefit of PSC are reimbursed through assessments on public service companies.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	-	-	-	-	-
GF Expenditure	178,600	216,300	226,100	236,400	247,500
Net Effect	($178,600)	($216,300)	($226,100)	($236,400)	($247,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill defines “telecommunications carrier” and “telecommunications service” to reflect current technologies and services in voice and data transmission, and includes several more terms of art that describe current technology used in the deployment of telecom services.

A telecom carrier is prohibited from knowingly impeding the development of competition in any telecom service market by: refusing or delaying specified services; providing inferior connections, information, support, access, or other services to another carrier; violating terms of or unreasonably delaying the implementation of specified interconnection agreements; failure to offer specified network elements in a manner consistent with PSC or the Federal Communication Commission’s (FCC) orders or regulations; violating obligations of a specified provision of the federal Telecommunications Act of 1996; violating a PSC order regarding matters between telecom carriers; or otherwise impeding the development of competition in the telecom service market.

Unless a civil penalty is otherwise provided, a person that impedes the development of competition is subject to the following civil penalties:

- for a violator with fewer than 35,000 subscriber access lines, up to $2,000 per violation; or
- for a violator with more than 35,000 subscriber access lines, up to the greater of $30,000 or 0.0825% of the carrier’s gross intrastate annual telecom revenue per violation.

Each violation of law, order, or regulation is a separate violation, and each day that a violation continues is considered a separate offense. The bill includes further provisions regarding application, collection, and judicial review of penalties, as well as aggravating or mitigating factors to be considered in determining penalty amounts.

Unless otherwise provided in law, all fines and penalties collected by PSC are paid into the general fund.

PSC must include in an annual report to the General Assembly its findings and recommendations for legislative action. The report must include analysis and evaluation of a specified listing of indicators of market conditions and the state of competition in the telecom industry, including: deployment of services; number of firms; share of retail and wholesale services; current and future technologies; pricing structures; and quality of service. Further, the information must be assessed for variability according to:

geography; exchange, wire center, or zip code; and customer class, including the variability between residential and small, medium, and large business customers.

Current Law: PSC is required to publish an annual report that summarizes PSC activities and may include recommendations for legislation. The report is submitted to the Governor and the General Assembly.

PSC may use alternative forms of regulation to protect the quality and pricing of services, encourage competition, and protect consumers. In addition to other remedies, PSC may assess a civil penalty of up to $10,000 against any person for a violation of public utility law, or an effective and outstanding direction, ruling, order, rule, or regulation of PSC. Each violation is a separate offense and each day is a separate violation.

The telecom industry is regulated in part under State authority, and in part under the federal authority of the Federal Communications Commission (FCC). It is not known at this time whether the requirements of the bill are in conflict with any other State or federal law or rule.

State Fiscal Effect: General fund expenditures could increase by an estimated $178,568 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of hiring one staff attorney, one hearing examiner, and two regulatory economists to handle the additional investigations, hearings, and reporting requirements associated with the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$154,628
Equipment	18,600
Operating Expenses	5,340
Total FY 2003 State Expenditures	**$178,568**

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

General fund revenues could potentially increase because of new penalties, but there are insufficient data to reliably estimate an amount at this time.

Background: The federal Telecommunications Reform Act of 1996 was the first major overhaul of telecom law in 62 years. The intent of the Act is "to provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition." As the telecom industry continues in a transition from regulated monopoly to competitive marketplace, state and federal laws and regulations continue to shape that transition in an effort to achieve the intent of the Act.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Office of People's Counsel, Federal Communications Commission, Department of Legislative Services

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