

LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6650

BILL NUMBER: SB 235

NOTE PREPARED: May 2, 2013

BILL AMENDED: Apr 26, 2013

SUBJECT: Video Service Providers.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR: Rep. Koch

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill amends the required contents of the annual report of the Indiana Utility Regulatory Commission (IURC) to the Regulatory Flexibility Committee concerning video and telecommunications service.

It authorizes the IURC to grant direct marketing authority to a holder of a video service franchise issued by the IURC if the holder: (1) certifies certain information concerning each employee or agent designated by the holder to exercise the direct marketing authority; and (2) provides proof of financial responsibility.

The bill provides that direct marketing authority allows a holder, through its designated employees, to market any service or product offered by the holder directly to all households in a service area of the holder. It requires the IURC to provide public notice of an order granting direct marketing authority to a holder by posting the order on the IURC's Internet web site. It authorizes only the IURC to grant direct marketing authority to a holder under the new procedure but allows a holder, with respect to direct marketing activities within a political subdivision, to instead elect to: (1) apply for marketing or solicitation authority directly from the political subdivision; and (2) exercise any marketing or solicitation authority granted by the political subdivision.

The bill prohibits a political subdivision from doing any of the following with respect to a holder that is granted direct marketing authority from the IURC: (1) Requiring the holder to also obtain marketing or solicitation authority from the political subdivision. (2) Imposing any licensing requirement or fee on the holder. (3) Except for enforcing certain uniform restrictions as to the hours or manner in which direct marketing activities may be performed, otherwise regulating the holder with respect to the holder's direct marketing activities.

The bill urges the legislative council to assign to the committee for study during the 2013 legislative interim

the topic of the transition of Indiana's telecommunications and information infrastructure from the legacy public switched network (PSTN) to predominantly Internet protocol (IP) based networks.

The bill recognizes that the Indiana Code chapter concerning caller identification service was repealed by one enrolled act and amended by another enrolled act during the 2013 legislative session. It expresses the general assembly's intent to repeal those provisions.

Effective Date: Upon Passage; July 1, 2013.

Explanation of State Expenditures: *IURC Annual Report:* Current statute requires the Regulatory Flexibility Committee to monitor competition in the telecommunications industry in Indiana. It also requires the IURC to prepare an annual report to be presented to the committee. It provides the guidelines for preparing the annual report. The bill removes the requirement that the IURC must include the "effects of competition on the pricing and availability of video service in Indiana" and instead requires that it should include information on "advertised programming and pricing options offered by video service providers to Indiana customers" in the annual report. The IURC should already have the available data required to make the changes in the report. As a result, the bill should not have any impact on IURC's expenditures.

Direct Marketing Authority: P.L 27-2006 provided that after June 30, 2006, the IURC is the sole franchising authority for the provision of video service in Indiana. It required the IURC to issue video franchise authority and referred to the person receiving the authority as a "holder".

This bill provides the authority to a holder to market any service or product offered by the holder directly to all households in a service area served by the holder. It provides guidelines to the holder to apply for the direct marketing authority. It requires the holder to provide specific information to the IURC about the employee to whom the holder will designate direct marketing authority.

The bill provides that if the application is complete and properly verified, the IURC shall issue an order granting the holder direct marketing authority. If the IURC determines that the application is incomplete or not properly verified, it requires the IURC to notify the holder of the deficiency and allow the holder to resubmit the application after correcting the deficiency. The provisions related to direct marketing authority will lead to additional responsibilities for the IURC.

Any increase in administrative costs to the IURC will be offset by public utility fees. The IURC and the Office of Utility Consumer Counseling (OUCC) are funded by public utility fees. Each public utility must pay equal to 0.15% of its gross intrastate operating revenues for the preceding calendar year. The actual fee is based on the budgets of IURC and OUCC. At the end of the fiscal year, if the total public utility fees in the Public Utility Fund plus the unspent balance of the Fund exceeds the total appropriations for the IURC and the OUCC (plus a \$250,000 contingency fund), then the IURC must compute each utility's share of the excess. This share is then deducted from any subsequent payment of the utility's public utility fees.

Transition of Indiana Telecommunication -Study Committee Topic: The bill urges the Legislative Council to assign to the Regulatory Flexibility Committee the topic of the transition of Indiana's telecommunications and information infrastructure from the legacy public switched network (PSTN) to predominantly Internet protocol (IP) based networks. The bill requires that if the Legislative Council assigns the topic to the committee, the committee would issue a final report to the Legislative Council containing the committee's findings and recommendations, in an electronic format not later than November 1, 2013. The Regulatory Flexibility

Committee has 23 members, all of whom are legislators. The committee operates under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more. If there are additional meetings because of the study, there could be additional costs for travel and per diem. However, all costs would need to fall within the committee's budget.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill prohibits a local unit from taking certain actions with respect to a holder that is granted direct marketing authority from the IURC.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected:

Information Sources:

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