

N.C. GENERAL ASSEMBLY LEGISLATIVE FISCAL NOTE

Fiscal Research
733-4910

Prepared By: Richard Bostic	Date Prepared: May 29, 1989	Bill No.: SB 539	Edition: 1
Approved By: Tom Covington TOMC	MAY 29, 1989		Sponsor: Senator Sherron
Short Title: UNC to Use State Telephone Network			

TYPE OF FISCAL IMPACT	COUNTY/		FUNDS AFFECTED:			
	State Gov't	Local Gov't	() General	() Highway	() Other: Local	
			State Fiscal Impact	FY	FY	FY
No Fiscal Impact	(X)	(X)	State Total Req'ments Receipts/Revenues			
Increase Expenditure	()	()	Net State Expend./Rev.			
Decrease Expenditure	()	()	No. of Positions			
			Local Fiscal Impact	FY	FY	FY
Increase Revenue	()	()	Local Total Req'ments Receipts/Revenues			
Decrease Revenue	()	()	Net Local Expend./Rev.			
No Estimate Avail.	()	()	No. of Positions			

Description of Legislation

1. Summary of Legislation:

An act to allow university students living in residence halls to participate in the State telephone network.

2. Effective Date:

July 1, 1989

3. Fund or Tax Affected

4. Principal Department/Program Affected

Cost or Revenue Impact on State

FY	FY	FY
88-89	89-90	

1. Non-Recurring Costs/Revenues

2. Recurring Costs/Revenues

3. Fiscal/Revenue Assumptions

Cost/Revenue Impact on County or Local Government

FY	F	FY
88-89	89-90	

1. Non-Recurring Costs/Revenues

2. Recurring Costs/Revenues

3. Fiscal/Revenue Assumptions

Sources of Data for Fiscal Note

Department of Administration - State Telecommunications Office
Southern Bell
Attorney General's Office
Utilities Commission

Technical Considerations/Comments

Making the state telephone network available to UNC system students living in residence halls will have no immediate fiscal impact on the state, but could reduce rates for all network subscribers in the long run. The service provided by the network is interstate and intrastate long distance calling over leased telephone lines. Since current network subscribers make 85% of their long distance calls from 8 a.m. to 5 p.m., there is significant excess capacity in the evening hours. On the other hand, student long distance calling is 9% from 8 a.m. to 5 p.m., 45% from 5 to 11 p.m., and 46% from 11 p.m. to 8 a.m. Student calls could be easily absorbed by the network. By making maximum use of the leased facilities, network rates might be reduced in the future.[Note: student calling patterns may be influenced by the current rate structure that rewards calling after 5 p.m. and 11 p.m. with lower

rates. The flat rates charged for intrastate calls by the state network may cause students to shift their consumption of long distance service to earlier hours. If a change in calling does occur, then the network may have to implement intrastate rates based on time of day usage.]

Only NCSU, UNC-CH, UNC-W, UNC-G, and UNC-C have phones in student dorm rooms according to the State Telecommunications Office (STO). Senate Bill 539 would allow each university to bill the students for services or have the STO bill the students directly. The STO believes the universities will opt to bill the students themselves, but the state does have the computer capacity to bill students without an increase in administrative costs. Those universities choosing to bill students for local and long distance calls may tack on an administrative fee to the student bill.

The addition of students to the state network will also have no impact on state tax revenues nor make the state network subject to federal excise taxes. The sales tax on intrastate communications will still be paid by the student. The gross receipts tax on local access charges will also not be affected because the state network is for long distance dialing. Students will pay the federal excise tax on interstate calls they make on the state network, but this will not change the tax status of calls made by the other network subscribers.

One final note is that Senate Bill 539 should have no impact on consumers. According to a Southern Bell account manager, the volume of long distance calling lost to the state network is minimal and not affect ratemaking.



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