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FISCAL IMPACT REPORT

ORIGINAL DATE 2/21/07

SPONSOR Gardner LAST UPDATED _____ HB 938

SHORT TITLE Earmarked Funds as Credit for Qwest Customers SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the Attorney General (OAG)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 938 would state the Legislature's refusal to appropriate Qwest's \$5 million donation to the Public Education Department for the Strong Project as provided in the settlement agreement between Qwest and the state. By not appropriating the \$5 million, it will be returned to Qwest's customers as credits.

FISCAL IMPLICATIONS

The Public Education Department would not have an additional \$5 million for the STONG project.

SIGNIFICANT ISSUES

The Alternative Form of Regulation (AFOR) settlement agreement, known as the Second Amended Settlement Agreement (SASA), signed by Qwest, the NM Attorney General, General Services Department, NM Internet Professionals Association and PRC Staff, was approved by

the PRC and became effective February 2, 2007. The bulk of the \$270 Million settlement addresses telecommunication infrastructure improvements throughout NM. Of this amount, \$5 million is devoted to the Public Education Department for the STRONG project, a version of the executive's laptop initiative. The \$5 million is subject to legislative appropriation.

PED indicates that the \$5 million would be used for public schools statewide designated as Restructuring-2 (or "R-2 School"), which are schools that have failed to meet Adequate Yearly Progress (AYP) for six consecutive years. Specifically, the funds would have been applied toward technology intervention and teacher professional development and to administrator professional development—as required under the federal *No Child Left Behind Act* for states to take strong corrective actions.

OTHER SUBSTANTIVE ISSUES

The total amount required for settlement of the AFOR I cases is \$270 million and includes:

- \$81.3 million for high speed internet access, including additional penetration into rural areas.
- \$33 million for redundant and diverse routes project, i.e. wire center upgrades
- \$30 million for cable improvements for basic phone service
- \$50 million for advanced telecommunications technologies projects
- \$60 for network improvement and capacity augmentation projects and cost overruns of other projects listed above
- \$5 million over three years for PED's STRONG project.

The original settlement agreement, announced in July 2006, included \$15 million over three years for the STRONG Project. It was not subject to legislative appropriations.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo. The \$5 million is still subject to legislative appropriation. If not appropriated, credits will be provided to Qwest customers.

BE/mt