

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 678** HLS 16RS 746
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ #2 SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|---|---------|--------------------------------|
| Date: May 26, 2016 | 9:07 AM | Author: CARMODY |
| Dept./Agy.: Revenue | | Analyst: Deborah Vivien |
| Subject: Increases and expands fee on all 911 services | | |

TELECOMMUNICATIONS EG2 +\$6,120,000 LF RV See Note Page 1 of 1
 Provides for the assessment of a surcharge fee on prepaid 911 services and products

Current law imposes a 911 fee of 2% on all prepaid wireless telecommunication services for providing access to 911 systems. Proceeds are distributed to local emergency districts. The Department of Revenue is authorized to retain up to 2% of remittances for expenses related to administration. Sellers are authorized to retain 4% of collections as vendor compensation. Proposed law increases the 911 fee from 2% to 4% of prepaid wireless services (current base) and expands the base to include any voice, text, video, image, data or other means of connecting the user to 911 on a prepaid basis. The base is also expanded beyond services to include any consumer devices that provide 911 access. The Department of Revenue authorization to retain 2% of remittances is unchanged. Sellers are authorized to retain half of 2016 fourth quarter fees and retain 2% of collections (current law is 4%) as vendor compensation thereafter. Fund use is restricted to providing 911 emergency response services and operations, and audit provisions are included in the bill. Effective October 1, 2016.

| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$105,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$585,000 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$3,825,000 | \$6,120,000 | \$6,120,000 | \$6,120,000 | \$6,120,000 | \$28,305,000 |
| Annual Total | \$3,930,000 | \$6,240,000 | \$6,240,000 | \$6,240,000 | \$6,240,000 | \$28,890,000 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The appropriation for 911 wireless distribution will have to be increased to allow the additional collections to be sent to parish emergency districts.

REVENUE EXPLANATION

The bill increases the fee on prepaid from 2% to 4%. Current collections are about \$6M per year, net of vendor compensation (4%) and LDR retention (2%). Since the rate is doubling, \$6M is the estimate for increased revenue generated from the existing prepaid wireless telecommunication base plus \$120,000, since vendor compensation will essentially not extend to the new fee. FY 16 is reduced to allow for the vendor retention of half of fourth quarter 2016 collections for system updates and allow for an October 1 effective date.

The bill also expands the fee base to any prepaid services that do or will provide direct communication access to 911. Many prepaid services, other than wireless telecommunication services, are expected to gain popularity over time that involve connection through satellite, computers or other devices that are not yet on the market. Though these services are expected to be used more extensively in the future, their impact currently is relatively small and not expected to immediately generate a material amount of additional revenue, according to emergency response district representatives. However, future use could change these results significantly, particularly if these services also provide security, convenience or other benefits beyond 911 access. Thus, the estimate above could be significantly understated over time if utilization of these services expands more rapidly than currently expected.

Vendors may retain half of fourth quarter 2016 collections for system updates and 2% for vendor compensation thereafter. Since the fee is doubling, changing vendor compensation from 4% to 2% on the entire fee will allow vendors to retain the same amount they are currently retaining and allow an additional \$120,000 (2% of the \$6M increase) to be distributed as 911 fee proceeds. The Department of Revenue is authorized to retain up to 2% of all remittances for administration expenses which will increase self-generated revenue by \$120,000. The remaining funds will be distributed to the local 911 emergency districts for use specifically to provide 911 emergency response communications services and operations.

This distribution is subject to legislative appropriation and is displayed here as local revenue, as it will simply flow through the state budget.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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