

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1832-01
Bill No.: SB 409
Subject: Business and Commerce; Cities, Towns, and Villages; Counties; Emergencies;
 Fees; Political Subdivisions; Telecommunications
Type: Original
Date: March 9, 2015

Bill Summary: This proposal would change the laws regarding 911 emergency communications services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$708,629 to \$1,008,629)	(\$209,095)	(\$200,038)
Total Estimated Net Effect on General Revenue	(\$708,629 to \$1,008,629)	(\$209,095)	(\$200,038)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Missouri 911 Service Trust*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Offsetting revenues and transfers out. This fund would be renamed from current "Wireless Service Provider Enhanced 911 Service Fund"

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

This proposal would make changes to a number of provisions regarding emergency communications services at the state and local government level.

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar proposal (HB 714 LR 1044-01), officials from the **Department of Revenue (DOR)** assumed the proposal would authorize a monthly fee on devices capable of contacting 911, including St. Louis City. The proposal would require DOR to collect this fee, less two percent withheld by the provider for administration and one percent for the Department for the cost of collection. This fee would not be imposed on customers of prepaid wireless telecommunications services. No county could submit a proposal to the voters unless certain conditions are met.

Administrative Impact

This would be a new fee that DOR would be required to collect. The new fee would require new reporting forms and a new program to track collections by counties and to distribute the revenue on a monthly basis.

Integrated System Changes

In order to establish a new tax type including registration, accounting, billing, refunding, correspondence, forms, rules, and testing, results in a total estimated cost between \$500,000 and \$800,000.

Oversight assumes the Department of Revenue estimate of IT cost to implement this proposal is the best available and will use it in this fiscal note.

ASSUMPTION (continued)

Business Tax

DOR officials stated the reporting requirements for the new fees would appear to be similar to sales and use tax, and assume Business Tax would require three additional Revenue Processing Technicians I for data entry, pre-edit, and error correction.

DOR officials stated the Department maintains a centralized database which it makes available to the 911 Service Board. The database provides the current monthly fee or tax imposed by counties or cities under provisions of Sections 190.282, 190.305, 190.325, 190.335 or 190.450. The proposal would require the database be updated at least 60 days before the effective date of the proposal. (**Oversight** assumes that the earliest any fee could be imposed is January 1, 2016, and, therefore DOR would have to update the database by November 1, 2015 at the earliest.)

The DOR response included an estimated cost to implement this proposal including three additional employees and the related salaries, benefits, equipment, and expense totaled \$122,522 for FY 2016, \$126,130 for FY 2017, and \$127,440 for FY 2018.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment could be reduced by roughly \$6,000 per new employee.

Oversight notes this proposal does not have a specific effective date and assumes the proposed additional fees could become effective as soon as August 28, 2015. Oversight has no information as to the number of instruments which might be subject to the proposed fee but assumes the DOR estimate of staff required to process the revenues is the best available and will use that estimate, as adjusted, in this fiscal note.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

ASSUMPTION (continued)

In response to a similar proposal (HB 714 LR 1044-01), officials from the **Department of Public Safety - Missouri Highway Patrol** assumed the Patrol has 1,553 mobile devices capable of contacting 911. If a rate of \$1.50 was charged per device, the fiscal impact per month to the Patrol would be approximately \$2,329.50 (1,553 x \$1.50) or \$27,954 per year (\$2,329.50 x 12). For purposes of this fiscal note, the Patrol will show the three funds that will have the most significant impact.

Highway Fund ($\$2,329.50 \times .84$) = $\$1,956.78 \times 12$ = \$23,481
General Revenue Fund ($\$2,329.50 \times .13$) = $\$302.83 \times 12$ = \$3,634
Criminal Records ($\$2,329.50 \times .03$) = $\$69.88 \times 12$ = \$839

Oversight assumes that numerous state agencies have mobile devices capable of contacting 911 and those devices would be charged the fee. Those fees would come out of numerous state funds. For simplicity, Oversight will include a cost to General Revenue of More than \$100,000 for agencies paying this fee.

Oversight also notes the proposal would allow local governments to submit a proposition to the voters authorizing a charge on any instrument capable of contacting 911, in lieu of a property tax levy or sales tax. A local government would have election costs due to the decision by the governing body to submit that proposition to the voters.

In this fiscal note, **Oversight** will include election costs in a range from \$0 (no local government elections) to Unknown (one or more local governments hold an election). Oversight will also include additional revenues in a range from \$0 (no local government elections) to Unknown (one or more local governments hold an election) to the (renamed) Missouri 911 Service Fund, which would then be transferred to those local governments which have approved ballot issues. Further, Oversight will assume that increased local government revenues would exceed election costs for those local governments in which the proposition is submitted to the voters.

Oversight also notes this proposal would create a statewide tax on prepaid wireless communication services, as defined in the proposal, to provide funding for 911 services. Oversight assumes this provision would extend a fee, or tax, over a broader range of telecommunications services than is currently the case. Accordingly, Oversight will include an unknown increase in revenue in the (renamed) Missouri 911 Service Fund for the additional revenue. The additional revenue would then be allocated and transferred to local governments. Oversight assumes this proposal could become effective as early as August, 2015 (FY 2016).

ASSUMPTION (continued)

For simplicity, **Oversight** will not include additional revenue for the General Revenue Fund for the 1% Department of Revenue collection charge.

Oversight assumes this proposal would make changes to the membership of the Missouri 911 Service Board and the changes would not have a fiscal impact.

Officials from the **Office of the Cole County Sheriff** assume this proposal could have a positive impact to 911 services if it is implemented.

Officials from **St. Louis County** provided a response to this proposal but did not indicate a fiscal impact to their organization.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the State Treasurer, Callaway County, the Department of Economic Development, the City of Kansas City, the Jackson County Election Board, the Platte County Board of Elections, and the Springfield Police Department** assume this proposal would have no fiscal impact on their organizations.

Officials from the **St. Louis County Directors of Elections** assumed a similar proposal (HB 714 LR 1044-01) would have no fiscal impact on their organization.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O’Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer updates for collection of monthly fee	(\$500,000 to \$800,000)	\$0	\$0
<u>Cost - Department of Revenue</u>			
Salaries	(\$59,100)	(\$71,092)	(\$71,629)
Benefits	(\$30,144)	(\$36,173)	(\$36,534)
Equipment and expense	<u>(\$19,385)</u>	<u>(\$1,830)</u>	<u>(\$1,875)</u>
Total	(\$108,629)	(\$109,095)	(\$110,038)
FTE change - DOR	3 FTE	3 FTE	3 FTE
<u>Cost - State Agencies - mobile device 911 fee</u>			
	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$708,629 to <u>\$1,008,629</u>)	<u>(\$209,095)</u>	<u>(\$210,038)</u>
Estimated Net FTE Effect on General Revenue Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
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**MISSOURI 911 SERVICE TRUST
 FUND ***

<u>Additional Revenue - DOR</u> Local government 911 fees	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Additional Revenue - DOR</u> State government fees	Unknown	Unknown	Unknown
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<u>Transfers out - Local Governments</u> Local government fees	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
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<u>Transfers out - Local Governments</u> State government fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
 MISSOURI 911 SERVICE TRUST
 FUND ***

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Renamed from "Wireless Service Provider Enhanced 911 Service Fund"			

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Transfers in</u> - Missouri 911 Service Trust Fund	Unknown	Unknown	Unknown
<u>Transfers in</u> - Missouri 911 Service Trust Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - Local Governments - Election costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses involved in emergency communications services or which use devices that would be subject to the emergency services access fee.

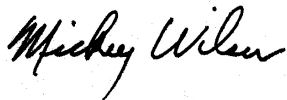
FISCAL DESCRIPTION

This bill would change the laws regarding emergency communications services and the Advisory Committee for 911 Service Oversight, impose a statewide prepaid wireless emergency telephone service charge, and repeal the provisions regarding the Wireless Service Provider Enhanced 911 Advisory Board.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Treasurer
Joint Committee on Administrative Rules
Department of Economic Development
Department of Public Safety
Department of Revenue
City of Kansas City
Callaway County
St. Louis County
Jackson County Election Board
Platte County Board of Elections
St. Louis County Directors of Elections
Office of the Cole County Sheriff
Springfield Police Department



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March 9, 2015

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