

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0891-01
Bill No.: SB 233
Subject: Emergencies; Cities, Towns, and Villages; Counties; County Government;
 Taxation and Revenue - General; Taxation and Revenue - Sales and Use;
 Telecommunications
Type: Original
Date: February 21, 2017

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

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| FUND AFFECTED | FY 2018 | FY 2019 | FY 2020 |
| General Revenue | Unknown to (\$1,057,294) | Unknown to (\$260,504) | Unknown to (\$263,350) |
| Total Estimated Net Effect on General Revenue | Unknown to (\$1,057,294) | Unknown to (\$260,504) | Unknown to (\$263,350) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2018 | FY 2019 | FY 2020 |
| 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 Enhances 911 Service Fund"

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 14 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2018 | FY 2019 | FY 2020 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2018 | FY 2019 | FY 2020 |
| General Revenue | 5 FTE | 5 FTE | 5 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 5 FTE | 5 FTE | 5 FTE |

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 2018 | FY 2019 | FY 2020 |
| Local Government | Unknown | Unknown | Unknown |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this proposal would authorize a monthly fee on devices capable of contacting 911. The proposal would require DOR to collect this fee, less two percent withheld by the provider for administration and one percent withheld by DOR for the cost of collection. This fee would not be imposed on customers of prepaid wireless telecommunications services or on broadband internet access service. A county would be required to meet certain requirements before a proposal could be submitted to the voters.

Beginning January 1, 2018, the proposal would impose a service charge on prepaid wireless emergency telephone retail transactions. The seller would be required to collect the service charge from the customer. The seller would remit the service charge to DOR and DOR would develop registration and payment procedures under state law. The legislation would require the board to set rates of distribution of amounts deposited in the fund between 25 percent and 75 percent for counties without a charter form of government and between 65 percent and 75 percent for charter counties. The prepaid wireless emergency telephone service charge would be prohibited in St. Louis County. During the month of January 2018, the seller could keep 100 percent of the service charges. Thereafter, the seller could deduct and retain three percent of the service charges collected from the consumer.

Administrative Impact:

DOR officials assumed the proposal would create new fees that DOR would be required to collect. This would require new reporting forms and a new program to track collections by counties and to distribute the revenue on a monthly basis.

Business Tax Processing:

DOR officials noted the reporting requirements of the new taxes appear to be similar to sales and use tax; therefore Business Tax would require three (3) additional Revenue Processing Technicians I for data entry, pre-edit, and error correction.

The DOR estimate of cost to implement this proposal including three additional employees and the related equipment and expenses totaled \$138,258 for FY 2018, \$141,328 for FY 2019, and \$142,482 for FY 2020.

ASSUMPTION (continued)

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 cost to implement this proposal in accordance with Office of Administration budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space. If unanticipated additional costs are incurred or if multiple proposals are implemented, resources could be requested through the budget process.

Oversight assumes the DOR estimate of expense and equipment cost for the additional employees could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2018 could be reduced by roughly \$6,000 per employee.

Oversight will include the DOR cost estimate, as adjusted, in this fiscal note.

Integrated System Changes:

DOR officials assumed adding the new tax to the Integrated Tax System would require additional programming costs of \$800,150.

Oversight will include a cost of \$800,150 for the one-time costs of DOR updating its computer systems for the requirements of this proposal.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow DOR to retain a collection fee of 1% for the various fees imposed. The collection fees would increase Total State Revenue (TSR) by a corresponding, but unknown amount. Any fees charged that are voter approved would not impact the revenue limit calculation required by the state constitution.

BAP officials noted the proposal specifies that money in the new Missouri 911 Service Trust Fund shall not be considered state funds, but stated any funds deposited in the State Treasury will impact TSR.

BAP officials also noted the fees charged by a retailer in this proposal do not appear to be voter approved and would impact the revenue limit calculation required by the state constitution.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Office of Director (DPS)** assume the Department would require two additional staff to provide assistance to the Missouri 911 Service Board, as well as the administrative responsibilities for the Department's own activities.

The DPS response including two additional employees and the related equipment and expense totaled \$139,860 for FY 2018, \$145,529 for FY 2019, and \$147,031 for FY 2020. The DPS response included an IT system development cost of \$27,110 in FY 2018, \$15,180 in FY 2019, and \$15,457 in FY 2020 to build and maintain a tracking system for training requirements.

Oversight has adjusted the DPS estimate of expense and equipment cost in accordance with OA budget guidelines.

Oversight assumes the DPS estimate of expense and equipment cost for the new FTE could be overstated. If DPS 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 will include the DPS cost estimate, as adjusted, in this fiscal note.

Officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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 **Callaway County** assume this proposal would have a positive impact on 911 system budgets.

ASSUMPTION (continued)

Officials from the **Office of the State Treasurer**, the **Department of Economic Development**, **Public Service Commission**, the **Department of Health and Senior Services**, the **Missouri Highway Patrol**, the **Missouri Office of Prosecution Services**, the **Jackson County Election Board**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

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

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, 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.

ASSUMPTION (continued)

Local government impact

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, 2017 (FY 2018).

Oversight notes this monthly fee could impact the calculation required under Section 18(e) of the state constitution.

Oversight will include unknown 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 but those changes would not have a fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2018 (10 Mo.) | FY 2019 | FY 2020 |
|---|--|--|--|
| GENERAL REVENUE FUND | | | |
| <u>Additional Revenue - DOR</u> | | | |
| Collection fees | Unknown | Unknown | Unknown |
| <u>Cost - DOR</u> | | | |
| Personal Services | (\$60,900) | (\$73,811) | (\$74,549) |
| Benefits | (\$32,849) | (\$39,814) | (\$40,212) |
| Equipment and expense | <u>(\$24,496)</u> | <u>(\$1,932)</u> | <u>(\$1,956)</u> |
| Total <u>Cost - DOR</u> | (\$118,245) | (\$115,557) | (\$116,717) |
| FTE change - DOR | 3 FTE | 3 FTE | 3 FTE |
| <u>Cost - DOR</u> | | | |
| Computer updates for collection of monthly fee | (\$800,150) | \$0 | \$0 |
| <u>Cost - DPS</u> | | | |
| Personal Services | (\$68,640) | (\$83,192) | (\$84,024) |
| Benefits | (\$37,024) | (\$44,874) | (\$45,322) |
| Equipment and expense | <u>(\$6,125)</u> | <u>(\$1,801)</u> | <u>(\$1,830)</u> |
| Total <u>Cost</u> | (\$111,789) | (\$129,867) | (\$131,176) |
| FTE change - DPS | 2 FTE | 2 FTE | 2 FTE |
| <u>Cost - DPS</u> | | | |
| System development for tracking system for training | <u>(\$27,110)</u> | <u>(\$15,080)</u> | <u>(\$15,457)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>Unknown to (\$1,057,294)</u> | <u>Unknown to (\$260,504)</u> | <u>Unknown to (\$263,350)</u> |
| Estimated Net FTE change to the General Revenue Fund | 5 FTE | 5 FTE | 5 FTE |

| | | | |
|--|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> (Continued) | FY 2018 (10 Mo.) | FY 2019 | FY 2020 |
|--|---------------------|---------|---------|

**MISSOURI 911 SERVICE TRUST
 FUND ***

| | | | |
|--|----------------|----------------|----------------|
| <u>Additional Revenue - DOR</u> Local government 911 fees | \$0 to Unknown | \$0 to Unknown | \$0 to Unknown |
|--|----------------|----------------|----------------|

| | | | |
|--|---------|---------|---------|
| <u>Additional Revenue - DOR</u> State government fees | Unknown | Unknown | Unknown |
|--|---------|---------|---------|

| | | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| <u>Transfers out - Local Governments</u> Local and state government fees | (\$0 to <u>Unknown</u>) | (\$0 to <u>Unknown</u>) | (\$0 to <u>Unknown</u>) |
|---|-----------------------------|-----------------------------|-----------------------------|

| | | | |
|--|-------------------|-------------------|-------------------|
| 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 2018 (10 Mo.) | FY 2019 | FY 2020 |
|---|----------------------------|----------------------------|----------------------------|
| LOCAL GOVERNMENTS | | | |
| <u>Additional Revenue</u> - fees and taxes | 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 an impact on small businesses involved in emergency communications services or which use devices that would be subject to the emergency services access fee.

FISCAL DESCRIPTION

This proposal would change the laws regarding 911 emergency communication services.

The act would provide the State Auditor the authority to conduct performance and fiscal audits of emergency services boards, dispatch centers, joint emergency communications entities, and the Missouri 911 Service Trust Fund.

In addition, the act would add emergency services boards to the definition of "political subdivision" for purposes of provisions of law allowing political subdivisions to cooperate with each other.

The act would apply definitions relating to emergency telephone services to sections concerning central dispatch services and would modify the definition of "tariff rate".

FISCAL DESCRIPTION (continued)

Under current law, it is unlawful in certain counties for a person to misuse the emergency telephone service. The act would make the unlawful use provision apply to additional counties that have central dispatch services.

Under current law, the counties of Christian, Taney, and St. Francois, if they impose a county sales tax for the central dispatch of emergency services, must appoint the members of a board to oversee the money collected under the tax and the provision of emergency services in the county. In other counties, the board is elected. The act would add Stoddard County to the list of counties that appoint the board. In addition, this act provides that the board in Taney County must have two county residents on the board who are not affiliated with certain specified emergency services agencies.

The act would change the name of the Wireless Service Provider Enhanced 911 Service Fund to the Missouri 911 Service Trust Fund and would repeal provisions establishing the "Wireless Service Provider Enhanced 911 Advisory Board". Definitions relating to the trust fund and 911 service fees would be modified.

The act would allow the cities of St. Louis and Sikeston or any county to impose, upon approval by a majority of the voters in the county or city, a monthly fee of up to \$1.50 on a subscriber of a communications service enabled to contact 911, except for prepaid service, in lieu of a telephone service tax or a countywide sales tax. In order to impose a fee of more than \$1, however, the city or county must receive approval from the Missouri 911 Service Board. The fee is to be paid into the Missouri 911 Service Trust Fund minus two percent of the fee, which is to go to providers and one percent of the fee, which is to be paid into the state's General Revenue Fund to cover the cost of collecting the fee. The Department of Revenue would remit the fees it collects to the county or city on a monthly basis.

Money in the fund may be used by the governing body of the city or county for the answering and dispatching of emergency calls.

The Department of Revenue would maintain a centralized database for the Missouri 911 Service Board that specifies the monthly fee or 911 tax imposed by each county and city.

ASSUMPTION (continued)

The act would provide that proprietary information submitted under the section allowing for the fee is only subject to subpoena or lawful court order. Information may be released or published in aggregate amounts that do not identify numbers of subscribers or revenues attributable to an individual 911 communications service provider. In addition, the act provides that no 911 communications service provider, or persons acting on behalf of a provider, shall be civilly or criminally liable for certain actions regarding a public safety answering point or for acts that result from the release of subscriber information to a governmental entity except for gross negligence, recklessness, or intentional misconduct. The act also provides that there is no cause of action against a provider of a communications-related service, or those acting on behalf of a provider, for providing call location information or doing a ping locate in an emergency situation that involves danger of death or serious physical injury.

Counties could not submit the proposed fee or county sales tax, to their voters unless the county has taken certain actions regarding the consolidation of services. The fee and the county sales tax are null and void if the county has not complied with its consolidation plan and has not been granted an extension by the Missouri 911 Service Board. Certain charter counties are exempt from the requirements. In addition, there are specified requirements for counties that have one public agency or do not have a public agency that provides emergency telephone service for the county.

The act would create a prepaid wireless emergency telephone service charge, beginning January 1, 2018 on each purchase of prepaid service, equal to 3 percent of the purchase unless the amount of service is 10 or fewer minutes or \$5 or less, in which case, the seller may elect not to apply the charge.

For the month of January in 2018, the seller of prepaid service may retain 100 percent of the charges collected. Beginning February 1, 2018, the seller may retain 3 percent of the charges collected.

The Department of Revenue would deposit the charges into the Missouri 911 Service Trust Fund within 30 days of receipt but may retain up to one percent of the charges to reimburse itself for the costs of administering and collecting the charges.

The same liability protections that apply under the fee on 911-capable devices would apply to sellers and providers of prepaid service and persons acting on behalf of them.

FISCAL DESCRIPTION (continued)

Under the act, any county, city, 911 board, or emergency services board could cooperate with any other county, city, 911 board, or emergency services board. In addition, two or more counties, cities, 911 districts, or emergency communications entities may create a joint emergency communications entity. The act prohibits the establishment of a public safety answering point operation due to a separation from another public safety answering point operation without the approval of the Missouri 911 Service Board.

Two or more 911 central dispatch centers may consolidate into one dispatch center upon a majority vote of the people. The question may be placed on the ballot by a petition signed by 10 percent of the number of voters in the service area who voted for Governor in the last election, or upon the passage of resolutions by each board of directors of the existing centers. Following passage of the resolution, the county commissions must jointly meet to appoint an initial seven-person board. A permanent seven-person board would be elected at the next municipal election. The act would define the duties and terms of the board. In addition, the act specifies that the terms of the previous board members for the individual dispatch centers end on the 30th day following the appointment of the board for the consolidated district.

The act would change the name of the Advisory Committee for 911 Service Oversight to the Missouri 911 Service Board and would reduce the board to 15 members from 16. The act would prohibit a corporation or its affiliate from having more than one officer, employee, assign, agent, or other representative on the board. The duties of the board would be modified. The board would set the rate for prepaid service charge, within certain parameters, to be remitted to the charter and non-charter counties and the City of St. Louis.

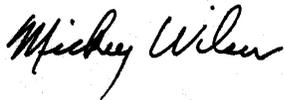
Under the act counties in which the prepaid wireless emergency telephone service charge is collected, and the cities of Sikeston and St. Louis may apply for loans or grants from the board for the purpose of financing 911 communications service projects. The act would provide procedures for distribution and repayment of the loans and grants.

The act would repeal a provision regarding the liability of public safety agencies and people who give emergency instructions via 911 and a provision allowing the Office of Administration to establish a monthly 50 cent fee per wireless telephone number.

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 Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Department of Health and Senior Services
Department of Public Safety
 Office of the Director
 Missouri Highway Patrol
Department of Revenue
Office of Prosecution Services
Callaway County
City of Kansas City
Boone County Sheriff's Department
Jackson County Election Board
Platte County Board of Elections
St. Louis County Directors of Elections



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