

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4845-12
Bill No.: SS for SCS for HCS for HB 1456 with SA1, SA2 & SA5
Subject: Emergencies, Cities, Towns and Villages, Counties, County Government, Kansas City, St. Louis City, Taxation and Revenue - General, Taxation and Revenue - Sales and Use, Telecommunications
Type: Original
Date: May 18, 2018

Bill Summary: This proposal modifies provisions relating to emergency communication services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	Unknown to (\$276,335)	Unknown to (\$5,395,685) to (\$21,395,685)	Unknown to (\$5,391,032) to (\$21,391,032)
Total Estimated Net Effect on General Revenue	Unknown to (\$276,335)	Unknown to (\$5,395,685) to (\$21,395,685)	Unknown to (\$5,391,032) to (\$21,391,032)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
MO 911 Service Trust*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfers in and out net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	5 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	5 FTE	6 FTE	6 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 2019	FY 2020	FY 2021
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information or on information regarding a previous version of the proposal. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Department of Revenue (DOR)** assumed §190.400 states that beginning January 1, 2019, this legislation imposes a service charge on prepaid wireless emergency telephone retail transactions. The seller collects the service charge from the customer. The seller remits the service charge to the Department and the Department develops registration and payment procedures that conform to state law. During the month of January 2019, the seller keeps 100 percent of the service charges collected. Thereafter, the seller deducts and retains three percent of the service charges collected from the consumer and sends the remaining to the Department. The Department is directed to deposit the first \$800,150 collected from the prepaid wireless service charges into General Revenue to reimburse its direct costs of administering the collection and remittance of prepaid wireless emergency telephone service charges. After the Department deposits the required amount into General Revenue it is to deposit the collections into the Missouri 911 Service Trust Fund.

The legislation specifies that the board shall set rates of distribution of amounts deposited in the fund between 25 percent and 75 percent for counties without a charter form of government. For charter counties, the rate is between 65 percent and 75 percent. The legislation prohibits the prepaid wireless emergency telephone service charge in St. Louis County.

This is a new fee for the Department to administer. The legislation bases the fee upon a percentage of the retail transaction. The Department requires new reporting forms and a new program to track and distribute receipts based upon how the Department currently administers sales tax.

The Business Tax Processing Section assumes the reporting requirements of the two new taxes appear to be similar to sales and use tax. Business Tax Processing requires three Revenue Processing Technicians I (\$26,340) for data entry, pre-edit, and error correction.

The Integrated Revenue System requires change to the current design resulting in a cost of \$800,150.

ASSUMPTION (continued)

DOR notes that §190.455, authorizes a monthly fee of up to \$1.50 per active phone number. This would be collected at the local level, though the Department will get the fees and distribute them out to the local entities.

Section 190.460, states that beginning January 1, 2019, the legislation imposes a three percent service charge on of prepaid wireless emergency telephone retail transactions. For a one month period beginning January 1, 2019, the legislation allows a seller to retain one hundred percent of the prepaid wireless emergency telephone service charges. Beginning in February 2019, the seller retains three percent of the service charge collected from consumers.

This would be a new fee that the Department collects. The new fee requires new reporting forms and a new program to track collections by county and to distribute the revenue on a monthly basis.

Oversight will include a cost of \$800,150 to the state General Revenue Fund in FY 2018 for the one-time costs of DOR updating its computer systems for the requirements of this proposal.

Oversight notes this proposal includes a provision in Section 190.460.3.(4), RSMo, which would require the Department of Revenue to deposit the first \$800,150 in prepaid wireless emergency telephone charges remitted by sellers to the state General Revenue Fund. After that amount is deposited into the General Revenue Fund, future service charge collections would be deposited into the Missouri 911 Service Trust Fund except for a 1% DOR collection charge.

The time at which the first \$850,150 would be collected can not be determined since the number of instruments that would be sold and their retail cost are unknown. Further, a provision in Section 190.460.2(1) would allow a retailer to sell an instrument without the service charge if a minimal amount of prepaid service is included in the sales price. However, for the simplicity of the fiscal note Oversight will show the whole transfer occurring in FY 2019.

*In response to a pervious version, SS for SCS for HCS for HB 1456 (LR 4857-05), officials at the **Office of Administration Division of Budget and Planning** assumed the legislation allows Department of Revenue to retain a collection fee of 1% for the various fees imposed by this proposal (§190.455 and §190.460). The collection fees will increase Total State Revenue by a corresponding, but unknown amount. Any fees charges that are voter approved, such as those in §190.455, will not impact the calculation under 18(e).*

ASSUMPTION (continued)

Although the language specifies the money in the new Missouri Service Trust Fund shall not be considered state funds, any funds deposited in the State Treasury will impact Total State Revenue.

The fees charged by a retailer under §190.460 do not appear to be voter approved and would impact the calculation under 18(e).

*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 \$113,511 for FY 2019, \$131,362 for FY 2020, and \$132,488 for FY 2021. The DPS response included an IT system development cost of \$27,110 in FY 2019, \$15,180 in FY 2020, and \$15,457 in FY 2021 to build and maintain a tracking system for training requirements.

Officials from the **Department of Health and Senior Services** and the **Department of Natural Resources** assume the proposal will have no fiscal impact on their organizations.

In response to a previous version, SS for SCS for HCS for HB 1456 (LR 4857-05), officials at the **Department of Economic Development**, the **Missouri Highway Patrol**, the **Public Service Commission**, and the **Office of the State Treasurer** each assumed there was no fiscal impact from this proposal.

In response to a similar proposal, officials from the **Office of the State Treasurer** and the **City of Columbia** assumed the proposal would have no fiscal impact on their organization.

In response to the previous version, officials at the **Office of the State Auditor** assumed there was no fiscal impact from this proposal.

In response to a previous version, SS for SCS for HCS for HB 1456 (LR 4857-05), officials at the **City of Kansas City** assumed the new language added to the end of Section 190.455.17 (that the subsection would not apply to a county with a population of 98,000-105,000) would exempt Platte County from this legislation and therefore have a negative fiscal impact on the City of Kansas City, because of the lack of revenue sharing in spite of Kansas City still being responsible for its citizens that live in Platte County. The deletion of §190.307 in this legislation could have a negative fiscal impact on the City, because of its elimination of the partial immunity from civil damages now enjoyed by public agencies pursuant to §190.307.

ASSUMPTION (continued)

In response to a pervious version, SS for SCS for HCS for HB 1456 (LR 4857-05), officials at the **St. Louis County Department of Justice Services** assumed there was no fiscal impact from this proposal.

In response to the previous version, officials at the **Boone County**, the **City of Springfield**, the **Jackson County Board of Election Commissioners**, the **Joplin Police Department**, and the **St. Louis County Board of Election Commissioners** each assumed there was no fiscal impact from this proposal.

In response to a pervious version, SS for SCS for HCS for HB 1456 (LR 4857-05), officials from the **Office of the Secretary of State (SOS)** state 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 SOS 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, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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.

ASSUMPTION (continued)

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, 2018 (FY 2019).

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 and those changes would not have a fiscal impact.

Senate Amendment 2 Grants for Broadband Internet

In response to a similar proposal, Perfected for HCS for HB 1872 (LR 5686-05), officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed the proposal creates a grant program to award grants for the expansion of broadband internet services. Such program shall be administered by the Department of Economic Development. No single project shall be awarded grants whose cumulative total exceeds five million dollars, however there is no overall cap on the program.

B&P notes no specific dedicated fund is named in this proposal; therefore, any such grants would likely be from General Revenue and would be subject to an appropriation.

This proposal will not impact General and Total State Revenues and will not impact the calculations under Article X, Section 18(e).

In response to a similar proposal, Perfected for HCS for HB 1872 (LR 5686-05), officials at the **Department of Economic Development (DED)** assumed they would need 1 FTE Band I Manager (\$66,672) to implement the provisions of the proposal. In FY 2019, DED assumes existing staff would establish a framework for administration of broadband infrastructure development grants, including possible rule-making, as set out in the proposal. The fiscal impact is one FTE beginning FY 2020 and any other impact is subject to appropriation.

In response to a similar proposal, Perfected for HCS for HB 1872 (LR 5686-05), officials at the **Joint Committee on Administrative Rules** and the **Office of the State Treasurer** each assumed there was no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to the previous version, officials at the **Department of Agriculture** and the **Department of Elementary and Secondary Education** each assume there is no fiscal impact from this proposal.

In response to a similar proposal, Perfected for HCS for HB 1872 (LR 5686-05), officials at 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 SOS 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, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight notes that §620.2457.2 limits an individual grant to no more than \$5,000,000. There is no cap on this program; however, according to the summary, the bill is based on a successful rural broadband expansion program in Minnesota. Oversight does not know how Missouri's broadband status compares to that of Minnesota. However, according to the Minnesota Employment and Economic Development website, the Minnesota Border-to-Border Broadband Development Grant Program had the following project awards over the past four years:

FY 2014	\$18,775,972;
FY 2015	\$11,008,366;
FY 2016	\$29,040,894; and
FY 2017	\$26,475,556

The four year average of grants in Minnesota is \$21,325,197.

Without an annual program limit, Oversight will range the fiscal impact from the cumulative limit to a single project (\$5,000,000) to the experience of a similar project in Minnesota.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR</u>			
One time reimbursement amount of \$800,150 (§190.460.3(4)) and 1% collection fees §190.455	Could exceed \$800,150	Unknown	Unknown
<u>Cost - DOR</u>			
Personal Services	(\$65,850)	(\$79,810)	(\$80,608)
Fringe Benefits	(\$46,527)	(\$56,068)	(\$56,305)
Equipment and Expenses	<u>(\$23,337)</u>	<u>(\$2,273)</u>	<u>(\$2,329)</u>
<u>Total Cost - DOR</u>	(\$135,714)	(\$138,151)	(\$139,242)
FTE Change - DOR	3 FTE	3 FTE	3 FTE
<u>Cost - DOR one-time computer upgrades §190.400</u>			
	(\$800,150)	\$0	\$0
<u>Cost - DPS</u>			
Personal Services	(\$68,640)	(\$83,192)	(\$84,024)
Fringe Benefits	(\$38,366)	(\$46,284)	(\$46,531)
Equipment and Expenses	<u>(\$6,505)</u>	<u>(\$1,886)</u>	<u>(\$1,933)</u>
<u>Total Cost - DPS</u>	(\$113,511)	(\$131,362)	(\$132,488)
FTE Change - DPS	2 FTE	2 FTE	2 FTE
<u>Cost - DPS computer upgrades</u>	(\$27,110)	(\$15,080)	(\$15,457)
<u>Cost - DED - SA2</u>			
Personal Service	\$0	(\$67,339)	(\$68,012)
Fringe Benefit	\$0	(\$30,788)	(\$30,988)
Equipment & Expenses	<u>\$0</u>	<u>(\$12,965)</u>	<u>(\$4,845)</u>
<u>Total Cost - DED</u>	<u>\$0</u>	<u>(\$111,092)</u>	<u>(\$103,845)</u>
FTE Change - DED	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
Continued	(10 Mo.)		
<u>Cost</u> - grants given to expand broadband internet service in underserved areas - SA2	<u>\$0</u>	(Could exceed \$5,000,000) to <u>(\$21,000,000)</u>	(Could Exceed \$5,000,000) to <u>(\$21,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown to (\$276,335)</u>	<u>Unknown to (\$5,395,685) to (\$21,395,685)</u>	<u>Unknown to (\$5,391,032) to (\$21,391,032)</u>
Estimated Net FTE Change on General Revenue	5 FTE	6 FTE	6 FTE
MISSOURI 911 SERVICE TRUST FUND *			
<u>Additional Revenue</u> - DOR Locally approved increased 911 fees	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Additional Revenue</u> - DOR State government fees	Unknown	Unknown	Unknown
<u>Transfers out</u> - Local Governments Local and state government fees	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to 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 2019 (10 Mo.)	FY 2020	FY 2021
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LOCAL GOVERNMENTS

<u>Additional Revenue</u> - approved increased 911 fees and taxes	Unknown	Unknown	Unknown
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<u>Transfers In</u> - Missouri 911 Service Trust Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Cost</u> - Local Governments - Election costs to approve increased fees	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

Small businesses that provide, or sell at retail, qualifying communications services may be impacted.

FISCAL DESCRIPTION

This bill changes the laws regarding funding for emergency 911 services, administration of 911 funding, Missouri 911 Service Board, and the cooperation and contracting between emergency services providers.

Monthly Fee for Communications Services Enabled to Contact 911 - The bill:

(1) Changes the name of the Wireless Service Provider Enhanced 911 Service Fund to the Missouri 911 Service Trust Fund (§190.420); and

(2) Authorizes counties, any city not within a county, and certain home rule cities to impose by order or ordinance a monthly fee, not to exceed \$1.00 per device, on subscribers of any communications service or owner of any device enabled to contact 911 solely for the purpose of funding 911 service in the county or city upon approval by the voters. Revenue from this fee except for certain administrative and collection costs of the providers and the Department of Revenue will be deposited into the Missouri 911 Service Trust Fund to be remitted monthly by the Director of the Department of Revenue to the governing body of the county or city. (§190.455)

FISCAL DESCRIPTION (continued)

The fee:

(a) Will be in lieu of the emergency telephone tax levy authorized under §190.305 or §190.325, or the county sales tax authorized under §190.292 or §190.335 for funding the central dispatch of emergency services (§190.455); and

(b) Will not be imposed upon prepaid wireless telecommunications service customers who will be subject to the charge imposed under §190.451 (§190.455);

(4) Prohibits a county or city from submitting a proposal to the voters of the county until all providers of emergency telephone service and public safety answering point operations within the county are consolidated into one public agency and develops a plan for consolidation of emergency telephone service. The Department of Revenue cannot remit any fees to a county of the third or fourth classification until it receives notice from the board that the county has filed a plan that is ready for implementation. These provisions cannot apply to a county with a charter form of government where all public safety answering points within the county utilize a common 911 communication service implemented by the appropriate local and county agencies prior to August 28, 2018 (§190.455)

(5) Requires counties including a portion of a certain home rule city to enter into an agreement with said home rule city regarding the equitable sharing of revenue before submitting a proposal to impose the authorized 911 service fee to the voters. Currently, the only home rule city this provision applies to is Kansas City (§190.455); and

(6) Requires all 911 fees to be imposed as provided in the Mobile Telecommunications Sourcing Act, 4 U.S.C. Sections 116 through 124, as amended (Section 190.455). If, after one year following the enactment of the fee a county has not complied with the plan, then the authority to impose the fee shall be null and void unless a one-time six-month extension is granted by the Missouri 911 Service Board. (§190.455)

Statewide Prepaid Wireless Emergency Telephone Service Charge - Beginning January 1, 2018, the bill imposes a statewide prepaid wireless emergency telephone service charge of 3% on each retail purchase of a prepaid wireless telecommunications service. The amount of the charge must be separately stated to the consumer on an invoice, receipt, or other similar document or otherwise disclosed. (§190.460)

Beginning January 1, 2018, and ending on January 31, 2019, the seller shall retain 100% of the prepaid wireless emergency telephone service charges collected by the seller. Beginning on February 1, 2019, a seller shall be allowed to deduct and retain 3% of the prepaid service

FISCAL DESCRIPTION (continued)

charges. The first \$800,150 in service charges collected after February 1, 2019 will be collected into general revenue for the purpose of reimbursing the Department of Revenue's expenses in administering the 911 service trust fund. (§190.460)

The Director of the Department of Revenue must maintain a centralized database that must be made available to the Missouri 911 Service Board specifying the current monthly fee or tax imposed by each county or city which must be updated no less than 60 days prior to the effective date of the establishment or modification of any monthly fee or tax. (§190.475)

Missouri 911 Service Board - The bill allows any county or a certain home rule city to submit an application for loan funds or other financial assistance to the board for the purpose of financing all or a portion of the costs incurred in implementing a 911 communications service project as specified in the bill. Currently, the only home rule city this provision applies to is Sikeston. (§650.335)

Wireless Service Provider Enhanced 911 - The bill repeals the provisions authorizing the Office of Administration to impose, upon statewide voter approval, a wireless service provider enhanced 911 fee not to exceed 50 cents per wireless telephone number per month and specifying the ballot language for the statewide fee. (§190.410, §190.430, and §190.440)

This bill establishes a grant program within the Department of Economic Development to expand broadband Internet access to unserved and under-served parts of Missouri. Grants may be awarded to fund the acquisition and installation of middle-mile and last mile infrastructure that support Internet speeds of at least 10 megabits per second download and one megabit per second upload. Grants may be provided to corporations, incorporated businesses or partnerships, nonprofit organizations, cooperative associations, and political subdivisions.

The department is directed to develop certain application procedures for the grant program, while other procedural time lines are already provided, and the grant application's requirements are specified in the bill. The department shall give priority to applications for broadband service projects in unserved areas, and may give priority to under-served areas in limited circumstances. Any grant awarded under the bill may not fund more than 50% of the total cost of a broadband service project, and no single project shall be awarded grants that cumulatively exceed \$5 million. The department is also directed to report annually on the participation in the grant program, and any results thereof.

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

Boone County
City of Columbia
City of Kansas City
City of Springfield
Department of Economic Development
Public Service Commission
Department of Health and Senior Services
Department of Public Safety
Department of Revenue
Jackson County Board of Election Commissioners
Joplin Police Department
Missouri Highway Patrol
Office of Administration
Division of Budget and Planning
Department of Agriculture
Department of Elementary and Secondary Education
Joint Committee on Administrative Rules
Office of the Secretary of State
Office of the State Treasurer
Office of the State Auditor
St. Louis County Department of Justice Services
St. Louis County Board of Election Commissioners

Ross Strobe



Acting Director
May 18, 2018