

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5587-01
Bill No.: SB 854
Subject: Emergencies, Cities, Towns and Villages, Counties, County Government, Taxation and Revenue - General, Taxation and Revenue - Sales and Use, Telecommunications
Type: Original
Date: January 30, 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 (\$284,593)	Unknown to (\$287,187)
Total Estimated Net Effect on General Revenue	Unknown to (\$276,335)	Unknown to (\$284,593)	Unknown to (\$287,187)

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 Other State Funds	\$0	\$0	\$0

* Transfers in and out net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 13 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	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 2019	FY 2020	FY 2021
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume that §190.460, would impose a three percent service charge on prepaid wireless emergency telephone retail transactions beginning January 1, 2019. 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.

DOR assumes 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 state 911 services 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 (\$130 per hour x 6,155 hours).

ASSUMPTION (continued)

Section 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.

Oversight will include a cost of \$800,150 to the state General Revenue Fund in FY 2019 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 we will show the whole transfer occurring in FY 2019.

Officials at the **Office of Administration Division of Budget and Planning** assume this 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).

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).

In response to similar legislation filed this year, HB 146, officials from the **Department of Public Safety - Office of Director (DPS)** assumed 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.

ASSUMPTION (continued)

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 at the **Missouri Highway Patrol** assume they have 1,195 devices capable of dialing 911 that could be assessed the \$1.50 fee. If the fee is assessed they would owe \$21,510 annually (1,195 devices x \$1.50 per device per month x 12 months).

Officials at the **Joplin Police Department** assume that since General Revenue gets to retain the first \$850,000 per year, that would be a loss to the Department of their share.

Officials at the **Department of Economic Development**, the **Department of Health and Senior Services**, the **Public Service Commission**, the **Office of the State Auditor** and the **Office of the State Treasurer** each assume there is no fiscal impact from this proposal.

Officials at the **Boone County**, the **Boone County Sheriff Department**, the **City of Kansas City**, the **Springfield Police Department**, the **St. Louis County Department of Justice Services**, and the **St. Louis County Police Department** each assume there is no fiscal impact from this proposal.

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.

ASSUMPTION (continued)

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, 2018 (FY 2019).

Oversight notes the 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 and those changes would not have a fiscal impact.

<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) and 1% collection fees §190.400 & §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>
Total Cost - DOR	(\$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>
Total Cost - DPS	(\$113,511)	(\$131,362)	(\$132,488)
FTE Change - DPS	2 FTE	2 FTE	2 FTE
Cost - DPS computer upgrades	<u>(\$27,110)</u>	<u>(\$15,080)</u>	<u>(\$15,457)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
Estimated Net FTE Change on General Revenue	<u>Unknown to (\$276,335)</u>	<u>Unknown to (\$284,593)</u>	<u>Unknown to (\$287,187)</u>
	5 FTE	5 FTE	5 FTE

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<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
(continued)	(10 Mo.)		

**MISSOURI 911 SERVICE TRUST
FUND ***

Additional Revenue - DOR

Locally approved increased 911 fees	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Additional Revenue - DOR

State government fees	Unknown	Unknown	Unknown
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Transfers out - Local Governments

Local and state government fees	(\$0 to <u>Unknown</u>)	(\$0 to <u>Unknown</u>)	(\$0 to <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>
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* Renamed from "Wireless Service Provider Enhanced 911 Service Fund"

FISCAL IMPACT - Local Government

FY 2019	FY 2020	FY 2021
(10 Mo.)		

LOCAL GOVERNMENTS

Additional Revenue - approved increased 911 fees and taxes

Unknown	Unknown	Unknown
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Transfers In - Missouri 911 Service Trust Fund

\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Cost - 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 act modifies provisions relating to emergency communication services.

MISSING PERSON REPORTS (§43.401) - Currently, a person may file a complaint of a missing person with a law enforcement agency. This act requires the complaint to include the name, address, and phone number of the missing person's guardian.

COOPERATION BY POLITICAL SUBDIVISIONS UNDER CONTRACT (§70.210) - This act modifies the definition of "political subdivision" to include any 911 or emergency services board for purposes of inter-political subdivision contracts.

EMERGENCY TELEPHONE AND DISPATCH SERVICE (§190.300 - §190.329) - This act applies definitions relating to emergency telephone services to provisions relating to central dispatching services, and modifies the definition of "tariff rate".

Currently, Clay and Jefferson Counties may use all or part of the moneys from the emergency telephone tax for central dispatching. This act removes Jefferson County from using such moneys for central dispatching, and allows Boone County to use such moneys for central dispatching.

Currently, upon the decision to use a portion of the emergency telephone tax for central dispatching, the county commission shall appoint the initial members of a board to administer the funds and oversee emergency dispatching services. After such initial appointment, members are elected. Under this act, the county commission may appoint members of the board to administer such funds in the counties, municipalities, and other political subdivisions which have contracted for such service. The board shall consist of 7 members as set forth in this act.

Currently, board members in Christian and Scott counties shall be elected to 4 year terms at the expiration of their initial terms. Under this act, if the boards in Christian and Scott counties consolidate, the term of office for existing board members shall end on the 30th day following the appointment of the initial board of directors for the consolidated district.

Currently, any board members appointed to an emergency dispatch services board shall be elected at the expiration of their initial terms. Under this act, if the boards consolidate, the term

FISCAL DESCRIPTION (continued)

of office for existing board members shall end on the 30th day following the appointment of the initial board of directors for the consolidated district.

AUDITS OF CONSOLIDATED DISTRICTS (**§190.334**) - Currently, the State Auditor has the authority to conduct performance and fiscal audits of any board, dispatch center, emergency communications entity, and the Missouri 911 Service Trust Fund. Under this act, the State Auditor may also perform audits of consolidated boards and consolidated central dispatch centers.

COUNTY BOARDS (**§190.335**) - Currently, if Christian, Taney, and St. Francois counties impose a county sales tax for the central dispatch of emergency services, they shall appoint the members of a board to oversee the money collected under the tax and the provision of emergency services in the county. Under this act, the board in Taney County shall have 2 county residents on the board who are not affiliated with certain specified emergency services agencies.

MISSOURI 911 SERVICE (**§190.400 - §190.470**) - This act changes the name of the Wireless Service Provider Enhanced 911 Service Fund to the Missouri 911 Service Trust Fund and repeals provisions establishing the Wireless Service Provider Enhanced 911 Advisory Board. Definitions relating to the trust fund and 911 service fees are also modified.

This act allows any county, and the cities of St. Louis and Sikeston, 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. However, in order to impose a fee of more than \$1, the county or city shall provide certain information to, and receive approval from, the Missouri 911 Service Board. The fee shall be paid into the Missouri 911 Service Trust Fund, minus 2% for providers, and minus 1% paid into the state's general revenue fund to cover the cost of collecting the fee. The Department of Revenue shall 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 county or city for answering and dispatching emergency calls.

Under this act, any proprietary information submitted by providers allowing for the fee shall only be 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. Further, 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

FISCAL DESCRIPTION (continued)

intentional misconduct. This 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. Such civil and criminal liability protections also apply to sellers and providers of prepaid service.

Counties may not submit the fee, or the proposal for a 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. Further, Kansas City shall not submit any fee authorized under this act until the city and at least one county in which it is located enter into an agreement for equitable sharing of revenue.

This act creates a prepaid wireless emergency telephone service charge, beginning January 1, 2019, on each purchase of prepaid service that is equal to 3% 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 2019, the seller of prepaid service may retain 100% of the charges collected. Beginning February 1, 2019, the seller may retain 3% of the charges collected. The Department of Revenue shall deposit all service charges into the general revenue fund until \$800,150 is collected to reimburse its direct costs of administration and collection. After such amount has been collected, all moneys collected thereafter shall be deposited into the Missouri 911 Service Trust Fund, minus 1% for continued administration and collection by the Department. The Missouri 911 Service Board shall set a rate between 25%-75% of such prepaid charges collected in charter counties to be remitted in direct proportion to the amount collected in each county. Further, the Board shall set a rate between 65%-75% of such prepaid charges collected in charter counties and St. Louis City to be remitted in direct proportion to the amount collected in each county or St. Louis City.

Under this act, any county, city, 911 board, or emergency services board may cooperate with any other county, city, 911 board, or emergency services board. In addition, 2 or more counties, cities, 911 districts, or emergency communications entities may create a joint emergency communications entity. This act prohibits the establishment of a public safety answering point operation due to a separation from another public safety answering point operation without the

FISCAL DESCRIPTION (continued)

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% 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 shall jointly meet to appoint an initial 7 person board. A permanent 7 person board shall be elected at the next municipal election. This act defines the duties and terms of the board. In addition, this 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 Department of Revenue is required to maintain a centralized database for the Missouri 911 Service Board that specifies the monthly fee or 911 tax imposed by each county and city.

MISSOURI 911 SERVICE BOARD (§650.330) - This act requires the Missouri 911 Service Board to administer and authorize grants and loans to certain counties and the City of Sikeston that can provide a 50% match to implement 911 services, promote consolidation, map all locations, ensure primary access and texting abilities, and implement initial emergency medical dispatch services. Loan and grant application criteria are set forth in this act. Additionally, this act requires the Board to develop certain application processes, set prepaid wireless charges, approve certain fees, retain certain records, and notify certain communications service providers.

Currently, no public agency or employee shall be liable for civil damages relating to giving emergency instructions through 911. This act repeals this provision.

Currently, the Commissioner of the Office of Administration may establish a fee not to exceed \$0.50 per wireless telephone number per month. This act repeals this provision.

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
Boone County Sheriff Department
City of Kansas City
Department of Economic Development
Public Service Commission
Department of Health and Senior Services
Department of Public Safety
Department of Revenue
Joplin Police Department
Missouri Highway Patrol
Office of Administration
Division of Budget and Planning
Office of the Secretary of State
Office of the State Auditor
Office of the State Treasurer
Springfield Police Department
St. Louis County Police Department
St. Louis County Department of Justice Services

Ross Strope



Acting Director
January 30, 2018