

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 1, 2009

TO: Honorable Tommy Merritt, Chair, House Committee on Public Safety

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2507 by Chisum (Relating to the establishment of an interoperable statewide emergency radio infrastructure and the imposition of an emergency radio infrastructure fee on certain telephone services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2507, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>New General Revenue Dedicated</i>	Probable (Cost) from <i>New General Revenue Dedicated</i>	Change in Number of State Employees from FY 2009
2010	\$37,138,000	(\$37,138,000)	4.0
2011	\$66,198,000	(\$66,198,000)	4.0
2012	\$68,340,000	(\$68,340,000)	4.0
2013	\$70,033,000	(\$70,033,000)	4.0
2014	\$71,236,000	(\$71,236,000)	4.0

Fiscal Analysis

The bill would impose a fee not to exceed \$0.25 per month on certain telephone services, including landline and wireless, to provide funding for an interoperable statewide emergency radio infrastructure. The fee would be imposed on consumers throughout the state and is in addition to the equalization surcharge imposed on intrastate long distance services and 9-1-1 service fees. The collections from the fee would be deposited in a general revenue dedicated account, the appropriation of which would be restricted to the CSEC.

The radio emergency infrastructure fee would be used for the planning, development, provision, enhancement, or ongoing maintenance of an interoperable statewide emergency radio infrastructure, including development of a regional or state interoperable radio communication system. The bill would allow the CSEC to distribute the funds as grants to regional councils of governments and other state agencies requiring emergency communications radio infrastructure. The bill would prohibit the

use of the funds for purchase or maintenance of radio subscriber equipment.

The fee would not be collected until January 1, 2010.

The bill would take effect on September 1, 2009.

Methodology

Assuming that the fee would be imposed on the current feepayer base for both the wireline and wireless 911 Emergency Services Fee, the bill would generate \$37,138,000 in fiscal year 2010 (for which collection would begin in January 2010) and \$66,198,000 in fiscal year 2011 if set at the maximum rate provided by the bill of \$0.25 per connection per month. These amounts take into account an administrative fee of 2 percent which a telecommunications provider is allowed to retain for collection of the fees.

The CSEC would administer the program to develop, implement and maintain an interoperable statewide emergency radio infrastructure. Of the revenue generated, the agency would retain approximately \$253,331 each year for administration of the program. This includes 4 full-time equivalent positions for a total of \$211,318 per year for salaries, with associated benefits cost of \$60,374. These positions include one (1) accountant, one (1) program supervisor, and two (2) program specialists to develop and implement interoperability plans as well as coordinate with other state agencies and regional councils of governments. Other expenses would include travel, rental of office space, equipment and furniture, and other operating expenses.

The remaining amounts, which vary from \$65.9 million in fiscal year 2011 to \$70.9 million in fiscal year 2014, would be awarded as grants to regional councils of governments and to other state agencies requiring emergency radio communications infrastructure for implementation of interoperability plans, excluding the purchase and maintenance of radio subscriber equipment. It is assumed that appropriations would be at or similar to collection levels.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in the bill would be subject to funds consolidation review by the current legislature.

Local Government Impact

The bill would establish an interoperable statewide emergency radio infrastructure and impose an emergency radio infrastructure fee on certain telephone services. A local exchange service provider would be required to collect fees monthly and remit the funds to the comptroller for deposit in the radio infrastructure fee account. A local exchange service provider would be permitted to retain an administrative fee of two percent of the amount collected. Fees collected could only be used for the development of a regional interoperable radio communication system, or distributed as grants by the commission to regional councils of governments that have an interlocal agreement.

The emergency radio infrastructure fee of 25 cents per month would generate significant new revenue that could be used by local governments that have implemented, or plan to implement communications interoperability equipment and systems in their region.

The Panhandle Regional Planning Council (PRPC) reported costs associated with an interoperable statewide emergency radio infrastructure system would cost an estimated \$794,664 in fiscal year 2010 for salary and benefits for one additional employee, capital outlay, and operational and maintenance expenses. The PRPC also stated the revenue gains from the new fee would significantly offset costs.

The Concho Valley Council of Governments (CVCOG) reported costs associated with an interoperable statewide emergency radio infrastructure system would cost an estimated \$76,380 in fiscal year 2010 for salary and benefits for one additional employee, training, capital outlay, and operational and maintenance expenses. The CVCOG also stated the revenue gains from the new fee would allow the completion of the projects in the region.

The East Texas Council of Governments (ETCOG) reported costs associated with an interoperable statewide emergency radio infrastructure system would cost an estimated \$1,973,700 in fiscal year 2010 for salary and benefits for two additional employees, newly established services of accounting and human resources, capital outlay, consultant fees to design a system, and operational and maintenance expenses of the existing infrastructure. The ETCOG also stated the anticipated costs over five years would be an estimated minimum of \$1.5 million to cover approximately 10,000 square miles in the region. In addition, ETCOG stated that revenue gains from the new fee would likely exceed the costs incurred by the region.

Counties that reported the provisions of the bill would not have a significant cost or revenue gain included Bexar, Austin, Lubbock, McLennan, Garland, Taylor, Jasper, Newton, and Sabine.

Source Agencies: 304 Comptroller of Public Accounts, 477 Commission on State Emergency Communications

LBB Staff: JOB, ESi, MS, LCO, TP