

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 7, 2009

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: SB1587 by Van de Putte (Relating to a uniform and statewide 9-1-1 emergency services fee on the retail sale of prepaid wireless telecommunications services to consumers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1587, As Introduced: a positive impact of \$138,000 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$49,000
2011	\$89,000
2012	\$92,000
2013	\$95,000
2014	\$95,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>911 Service Fees</i> 5050	Probable Revenue Gain/ (Loss) from <i>Emergency Service Fee on</i> <i>Wireless Telecommunications</i> <i>Trust Fund 0875</i>
2010	\$49,000	(\$1,131,000)	(\$6,782,000)
2011	\$89,000	(\$2,037,000)	(\$12,212,000)
2012	\$92,000	(\$2,112,000)	(\$12,664,000)
2013	\$95,000	(\$2,162,000)	(\$12,964,000)
2014	\$95,000	(\$2,185,000)	(\$13,100,000)

Fiscal Analysis

The bill would add a new chapter to the Tax Code, to create a prepaid wireless 911 emergency services fee of \$0.50 on each retail transaction of prepaid wireless telecommunication service.

Under the bill, the fee would be assessed and collected by sellers of the prepaid services and remitted monthly to the Comptroller for deposit into GR Account 5050 - 911 Service fees. Sellers would be entitled to retain a 1 percent administrative fee. Sellers would not be legally required to enforce collection of the fee but would be required to provide a certificate of delinquency to the Comptroller detailing the customer's names, addresses, and amount of delinquent fees. The Comptroller could

institute legal proceeding on the nonpaying customers to enforce collection of the fee, court costs, attorney's fees, and 12 percent annual interest.

The bill would prohibit the state from imposing any other fee, surcharge, or tax on prepaid wireless telecommunication service for 911 funding purposes. The new fee would be administered in the same manner as Chapter 151 of the Tax Code (sales tax). The bill would direct the Commission on State Emergency Communications to set an annual percentage for transfers of the fee to GR Account 5007 - Commission on State Emergency Communications, not to exceed 13 percent of the fee revenue.

The bill would take effect September 1, 2009.

Methodology

The Comptroller of Public Accounts based estimates on historical data for wireless fees, a distribution model of prepaid plans based on expiration dates, and the 2010-2011 Biennial Revenue Estimate. Revenue losses shown above are based on the current fee that would be replaced by a transactional fee under the bill's provisions.

The proportion of emergency service fees attributable to prepaid customers was determined by wireless industry trade surveys and additional information provided by the Commission on State Emergency Communications (CSEC). Mobile service providers remit service fee revenue to the state one month after the fee is collected from wireless customers. Estimates were adjusted for implementation lags.

Some of the wireless fee revenue is transferred from the Emergency Service Fee on Wireless Telecommunications Trust Fund and deposited to GR Account 5050 to meet state obligations. The fiscal effect for GR Account 5007 cannot be estimated. Any transfer would result in a greater loss of revenue to GR Account 5050.

The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

According to the Commission on Statewide Emergency Communications, the bill would result in a total negative fiscal impact to political subdivisions and districts estimating \$7,568,021 per year, and \$15,136,042 for the FY 2010-2011 biennium for entities not participating in the statewide program.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications

LBB Staff: JOB, SD, MN, TP