

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0160-02
Bill No.: HB 334
Subject: Emergencies; Political Subdivisions; Telecommunications; Public Safety,
Department of
Type: Original
Date: February 1, 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 11 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 \$142,487 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.

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 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 no immediate impact on their organization but could offer an alternative revenue stream.

ASSUMPTION (continued)

Officials from the **Office of the State Treasurer**, the **Department of Economic Development, Public Service Commission** and **Office of Public Counsel**, the **Department of Health and Senior Services**, the **Missouri Highway Patrol**, the **Missouri Office of Prosecution Services**, the **City of Kansas City**, the **Boone County Sheriff's Department**, 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, 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 and those changes would not have a fiscal impact.

	FY 2018 (10 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>			
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</u> - DOR	(\$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	Unknown to <u>(\$1,057,294)</u>	Unknown to <u>(\$260,504)</u>	Unknown to <u>(\$263,350)</u>
Estimated Net FTE change to the General Revenue Fund	5 FTE	5 FTE	5 FTE

FISCAL IMPACT - State Government
 (Continued)

FY 2018
 (10 Mo.)

FY 2019

FY 2020

**MISSOURI 911 SERVICE TRUST
 FUND ***

Additional Revenue - DOR

Local government 911 fees

\$0 to Unknown

\$0 to Unknown

\$0 to Unknown

Additional Revenue - DOR

State government fees

Unknown

Unknown

Unknown

Transfers out - Local Governments

Local and state government fees

(\$0 to
Unknown)

(\$0 to
Unknown)

(\$0 to
Unknown)

**ESTIMATED NET EFFECT ON
 MISSOURI 911 SERVICE TRUST
 FUND ***

\$0

\$0

\$0

* 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 (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

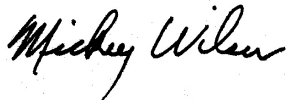
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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
City of Kansas City
Jackson County Election Board
Platte County Board of Elections
St. Louis County Directors of Elections



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February 1, 2017

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February 1, 2017