

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

	ESTIMATE OF FIS	CAL IMPACT – STAT	E AGENCIES *	
	FY 2012	2-13	FY 20	13-14
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$ 49,930	\$ 9,500	\$0	\$ 22,800
CASH FUNDS		\$ 100,850		\$ 241,900
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$ 49,930	\$ 110,350	\$0	\$ 264,000

^{*}Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1091 creates the Prepaid Wireless Surcharge Act.

The bill provides, beginning January 1, 2013, that each seller of prepaid wireless telecommunications services shall collect from the consumer on each retail transaction a prepaid wireless surcharge.

"Prepaid wireless telecommunications service" is defined to mean a service that allows a caller to dial 911 to access the 911 system, which service must be paid for in advance that is sold in predetermined units or dollars of which the number declines with use in a known amount.

"Seller" means a person who sells prepaid wireless telecommunications service to another person.

"Retail transaction" means the purchase of prepaid wireless telecommunications service from a seller for any purpose other than resale.

The bill provides that the Department of Revenue is to determine the prepaid wireless surcharge annually, effective January 1, based on the formula specified in the bill to determine the prepaid wireless surcharge. Based on the formula in LB 1091 the current surcharge would be 1.1%.

Sellers are to remit collected prepaid wireless surcharges to the Department of Revenue at the time and in the same manner as sales taxes are remitted. The Department is to establish registration and payment procedures that coincide with those that apply to sales tax. The seller is permitted to deduct and retain 3% of the prepaid wireless surcharge collected from the consumer.

The Department of Revenue is to deduct an amount, not to exceed 2% of charges, for administration and remit the remainder to the State Treasurer for credit to the Enhanced Wireless 911 Fund and the Nebraska Telecommunications Relay System Fund in the proportions that the respective components bear to the total prepaid wireless surcharge. In addition the bill prohibits any additional taxes or fees for purposes of funding E911 or telecommunications relay service by any political subdivisions. As the bill does not direct the 2% administration fee to a specific cash fund this results in a General Fund impact.

Fiscal Impact:

The fiscal impact of LB 1091 depends on certain assumptions of usage and fees. The Department of Revenue and the Public Service Commission have both submitted fiscal notes on this bill and they are substantially different and are based on different assumptions of usage and fees. The Public Service Commission bases their estimate on 146,000 prepaid wireless users averaging \$50 per month. The Department of Revenue bases their estimate on 304,600 users averaging \$27.50 per month.

NOTE: The Department of Revenue's estimate does not take into account the \$876,000 the E911 Fund currently receives from the prepaid wireless industry. The Public Service Commission's estimate does account for this revenue.

The Legislative Fiscal Office, based on an average of the Public Service Commission's and the Department of Revenue's assumptions on number of wireless users and monthly fees, estimates the following fiscal impact of LB 1091:

	Net Impact to	Net Impact to	Total Impact	Total Impact	
Fiscal	Enhanced Wireless	Telecommunications	То	To	Total
Year:	911 Fund:	Relay System Fund:	Cash Funds:	General Fund:	Impact:
FY2012-13:	\$ 58,900	\$ 41,950	\$ 100,850	\$ 9,500	\$ 110,350
FY2013-14:	\$ 141,300	\$ 100,600	\$ 241,900	\$ 22,800	\$ 264,700
FY2014-15:	\$ 144,200	\$ 102,300	\$ 246,500	\$ 23,300	\$ 269,800

The Public Service Commission does not indicate any additional costs to implement the provisions of LB 1091.

The Department of Revenue indicates a one-time programming charge by the OCIO to add a line on the Form 10 Sales and Use Tax Return and on NebFile for Business, which is estimated to total \$49,930.

We agree with the Public Service Commission's and the Department of Revenue's estimate of cost to implement LB 1091.

DEPARTMENT OF ADMINISTRATIVE SERVICES

	REVIEWED BY	Gary Bush	DATE 2/8/12	PHONE 471-2526
COMMENTS				

NEBRASKA PUBLIC SERVICE COMMISSION: No basis to disagree. Agency's estimate appears to be reasonable.

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TOTAL FUNDS

State Agency OR Politica	al Subdivision Name: ⁽²⁾	Nebraska Public Service Commission				
Prepared by: (3) John Burvainis		Date Prepared: (4)	2/10/12 Phone	: (5) 471-0240		
	ESTIMATE PROVID	DED BY STATE AGEN	CY OR POLITICAL SUBDI	VISION		
	FY 20: EXPENDITURES	12-2013 <u>REVENUE</u>	<u>FY 20</u> EXPENDITURES	<u>13-2014</u> <u>REVENUE</u>		
GENERAL FUNDS						
CASH FUNDS		16,425		39,420		
FEDERAL FUNDS						
OTHER FUNDS						

Return by date specified or 72 hours prior to public hearing, whichever is earlier, Explanation of Estimate:

The Prepaid Wireless Surcharge Act would affect the Enhanced Wireless 911 cash fund and the Telecommunications Relay cash fund, both administered by the Commission.

The Enhanced Wireless 911 cash fund is currently receiving surcharge revenue from the Prepaid Wireless industry. Thus, any money retained by the sellers or by the Department of Revenue will reduce the funds deposited in this cash fund. Our internal records reflect that there would be an annual reduction of approximately \$43,800 due to the 3% and the 2% retainage proposed in the bill. Thus, if the effective date of the proposal is January 1, 2013, we would expect a reduction of \$18,250 which represents a 5 month impact in FY 12-13. This takes into consideration a one-month delay between the collection and the remittance of the surcharge. The estimated reduction of the surcharge for FY 13-14 would be \$43,800

16,425

The impact of the Telecommunications Relay fund would be an increase in the surcharge deposited in the fund. We estimate that there are approximately 146,000 prepaid wireless lines not contributing to the Telecommunications Relay fund. Thus, the net surcharge revenue received from the inclusion of these lines would be \$34,675 in FY 12-13. The full 12 month impact of the bill for FY 13-14 is estimated to be \$83,220. These estimates assume a 5 month impact in the first year, and that 95% of the surcharge collected will be remitted to the Commission.

	MAJOR OBJEC	CTS OF EXPEND	DITURE	
Personal Services:				
POSITION TITLE	NUMBER OF 12-13	POSITIONS 13-14	2012-2013 EXPENDITURES	2013-2014 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

Fiscal Note

2012

State Agency Estimate								
State Agency Name: Department	of Revenue			GISLATIVE FISO	Date Due LFA:	1/25/2012		
Approved by: Douglas Ewald		Date Prepared:	2/8/2012 E	GISLA	Phone: 471-5700			
	FY 2012-	2013	FY 2013-2014		FY 20	14- <u>2015</u>		
	Expenditures	Revenue	Expenditures	Revenue	<u>Expenditures</u>	Revenue		
General Funds	\$49,930	\$11,000		\$22,000		\$22,000		
Cash Funds		\$584,000		\$1,066,000		\$1,082,000		
Federal Funds								
Other Funds								
Total Funds	\$49,930	\$595,000		\$1,088,000		\$1,104,000		

LB 1091 would adopt the Prepaid Wireless Surcharge Act, which requires the seller of prepaid wireless telecommunications services to collect and remit a prepaid wireless surcharge from each consumer purchasing prepaid wireless telecommunications service. The surcharge will be set annually by the Department and will be administered in the same manner as the sales tax, including due dates, audit procedures, registration requirements, and payment procedures. The prepaid charge is determined by the following formula:

= 1.1% rate levied on prepaid wireless

transactions.

The bill prohibits any additional taxes or fees for purposes of funding E911 or telecommunications relay service by any political subdivision. The seller is entitled to a 3% commission on the collections of the surcharge.

The amounts collected are remitted to the State Treasurer and deposited in the cash funds below in proportion to the formula above. According to market data from the Federal Communications Commission, LB 1091 is expected to raise revenue to the funds below in the following amounts:

Fiscal Year	General Fund	Enhanced Wireless	Nebraska	Total
		911 Fund	Telecommunications	
			Relay System Fund	
2012-13	\$11,000	\$535,000	\$49,000	\$595,000
2013-14	\$22,000	\$969,000	\$97,000	\$1,088,000
2014-15	\$22,000	\$984,000	\$98,000	\$1,104,000

The bill authorizes the Department to retain 2% of the prepaid wireless surcharge proceeds to defray administrative costs, but does not direct these proceeds for deposit in a cash fund, which results in a General Fund impact. Departmental cost to implement LB 1091 includes a one-time programming charge by the OCIO to add a line on the Form 10 Sales and Use Tax Return and on NebFile for Business, which is estimated to total \$49,930.

The operative date of the bill is January 1, 2013.

	Maj	or Objects of E	Expendit	ure			
Class Code	Classification Title	12-13 FTE	13-14 <u>FTE</u>	14-15 FTE	12-13 Expenditures	13-14 Expenditures	14-15 Expenditures
				-			
Benefits							
					\$49,930		
Capital Outlay							
Capital Improvements							
					\$49,930		