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DATE PREPARED: February 09, 2012
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LB 1091

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	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.

Continued

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:

Fiscal Year:	Net Impact to Enhanced Wireless 911 Fund:	Net Impact to Telecommunications Relay System Fund:	Total Impact To Cash Funds:	Total Impact To General Fund:	Total 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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LEGISLATIVE FISCAL

Please complete ALL (5) blanks in the first three lines.

LB⁽¹⁾ 1091 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska Public Service Commission

Prepared by: (3) John Burvainis Date Prepared: (4) 2/10/12 Phone: (5) 471-0240

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		16,425		39,420
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		16,425		39,420

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

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 OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013	2013-2014
	12-13	13-14	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

