

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1044-03
Bill No.: HCS for HB 714
Subject: Emergencies; Law Enforcement Officers and Agencies
Type: Original
Date: March 16, 2015

Bill Summary: This proposal would change the laws regarding 911 emergency communications services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(More than \$414,587)	(More than \$323,172)	(More than \$324,422)
Total Estimated Net Effect on General Revenue	(More than \$414,587)	(More than \$323,172)	(More than \$324,422)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 Enhanced 911 Service Fund"

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 2016	FY 2017	FY 2018
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

This proposal would make changes to a number of provisions regarding emergency communications services at the state and local government level.

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

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 one percent for the cost of collection. This fee would not be imposed on customers of prepaid wireless telecommunications services. No third or fourth class county could submit a proposal to the voters unless certain conditions are met.

Oversight notes this monthly fee could impact the calculation required under Section 18(e) of the state constitution.

Administrative Impact:

DOR officials assumed the proposal would create a new fee 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.

Beginning January 1, 2016, 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. During the month of January 2016, the seller would keep 100 percent of the service charges collected. Thereafter, the seller would deduct and retain two percent of the service charges collected from the consumer.

The fee would be based upon a percentage of the retail transaction. DOR would require new reporting forms, and a new program to track and distribute receipts based upon how sales tax is currently administered.

ASSUMPTION (continued)

Integrated System Changes:

DOR officials assumed there would be a negative impact to the General Revenue Fund between \$350,000 and \$500,000 due to changes required in the Revenue Solutions, Inc. contract. In order to establish a new tax type including registration, accounting, billing, refunding, correspondence, forms, rules, and testing the estimate is between \$500,000 and \$800,000.

Oversight will include a cost of more than \$100,000 for the one-time costs of DOR updating its computer systems for the requirements of this proposal.

In response to a previous version of this proposal, officials from the **Department of Public Safety - Missouri Highway Patrol** assumed the Patrol has 1,553 mobile devices capable of contacting 911. If a rate of \$1.50 was charged per device, the fiscal impact per month to the Patrol would be approximately \$2,329.50 (1,553 x \$1.50) or \$27,954 per year (\$2,329.50 x 12). For purposes of this fiscal note, the Patrol will show the three funds that will have the most significant impact.

Highway Fund ($\$2,329.50 \times .84$) = $\$1,956.78 \times 12$ = \$23,481
General Revenue Fund ($\$2,329.50 \times .13$) = $\$302.83 \times 12$ = \$3,634
Criminal Records ($\$2,329.50 \times .03$) = $\$69.88 \times 12$ = \$839

Oversight assumes that numerous state agencies have mobile devices capable of contacting 911 and those devices would be charged the fee. Those fees would come out of numerous state funds. For the simplicity of the fiscal note, Oversight will include a cost to General Revenue of More than \$100,000 for agencies paying this fee.

In response to a previous version of this proposal, officials from the **Department of Public Safety** assumed 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 \$105,857 for FY 2016, \$125,797 for FY 2017, and \$127,081 for FY 2018. The DPS response also noted an IT system development requirement but did include an estimate of cost or hours for that system.

ASSUMPTION (continued)

Oversight will include the cost of the two additional employees in the DPS response to support the Missouri 911 Service Board; if an unanticipated additional workload is created or if additional employees are needed to implement the other DPS requirements in this proposal, resources could be requested through the budget process.

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 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 has adjusted the DPS estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

Oversight will include an IT cost in excess of \$100,000 for FY 2016, FY 2017, and FY 2018, for the DPS cost to implement this proposal.

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.

ASSUMPTION (continued)

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, 2014 (FY 2015).

Oversight notes this monthly fee could impact the calculation required under Section 18(e) of the state constitution.

For simplicity, **Oversight** will not include 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.

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.

ASSUMPTION (continued)

In response to a previous version of this proposal, 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 **Office of the State Treasurer**, the **Department of Economic Development**, the **City of Kansas City**, the **St. Louis County Directors of Elections**, the **Platte County Board of Elections**, and the **Office of the Cole County Sheriff** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Springfield Police Department** assumed a previous version of this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Not responding:

Department of Health and Senior Services

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, 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.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer updates for collection of monthly fee	(More than \$100,000)	\$0	\$0
<u>Cost - DPS</u>			
Salaries	(\$67,300)	(\$80,760)	(\$81,568)
Benefits	(\$34,326)	(\$41,192)	(\$41,604)
Equipment and expense	<u>(\$12,961)</u>	<u>(\$1,220)</u>	<u>(\$1,250)</u>
Totals	(\$114,587)	(\$123,172)	(\$124,422)
FTE change for DPS	2 FTE	2 FTE	2 FTE
<u>Cost - DPS</u>			
IT support for program	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
<u>Cost - State Agencies -</u>			
mobile device 911 fee	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than <u>\$414,587</u>)	(More than <u>\$323,172</u>)	(More than <u>\$324,422</u>)
Estimated Net Effect on General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Transfers in</u> - Missouri 911 Service Trust Fund	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 <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses involved in emergency communications services or which use devices that would be subject to the emergency services access fee.

FISCAL DESCRIPTION

This bill would change the laws regarding emergency communications services and the Advisory Committee for 911 Service Oversight, impose a statewide prepaid wireless emergency telephone service charge, and repeal the provisions regarding the Wireless Service Provider Enhanced 911 Advisory Board.

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
Department of Economic Development
Department of Public Safety
 Office of the Director
 Missouri Highway Patrol
Department of Revenue
City of Kansas City
Platte County Board of Elections
St. Louis County Directors of Elections
Office of the Cole County Sheriff
Springfield Police Department

Not responding:

Department of Health and Senior Services



Mickey Wilson, CPA
Director
March 16, 2015

Ross Strobe
Assistant Director
March 16, 2015