

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(2,618,740)		(3,151,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(2,618,740)		(3,151,000)

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 550 prohibits any municipality from imposing a tax or fee related to wireless and prepaid wireless services after the effective date of LB 550, unless the question of whether to impose such tax has been submitted at a primary, general, or special election.

Section 2 strikes language that includes wireless service from being subject to a surcharge not to exceed twenty cents per month. These funds are currently remitted to the Telecommunications Relay System Fund.

Section 4 requires wireless carriers to collect a surcharge of up to thirty-five cents on all active telephone numbers or functional equivalents each month and remit the surcharge in accordance with section 86-459. This provision replaces the current surcharge of up to seventy cents or, for counties containing a city of the metropolitan class, fifty cents. The revised surcharge is remitted to the 911 Service System Fund as are the current surcharge amounts.

Section 7 provides for an outright repeal of the Prepaid Wireless Surcharge Act.

The Public Service Commission (PSC) estimates revenue decreases for the Telecommunications Relay System Fund (TRS) of \$449,740 in fiscal year 2019-20 and \$548,000 in fiscal year 2020-21. This is based on a projected surcharge of \$.03 per line. According to the PSC, the surcharge on wireless services makes up approximately 70% of the fund's revenue. In order to maintain consistent revenue, the PSC estimates the surcharge would need to be raised to at least \$.11 per line. There is no basis to disagree with these estimates.

The PSC estimates reduced revenue to the Wireless 911 Service System Fund in the amounts of \$2,294,000 in fiscal year 2019-20 and \$2,753,000 in fiscal year 2020-21. Based on these revenue declines, the PSC would have to reevaluate the 911 Service System Plan for the transition of the state 911 system to a next generation platform. There is no basis to disagree with the revenue decrease estimates.

The outright repeal of the Prepaid Wireless Surcharge Act would eliminate the surcharge which is collected at the point of sale for prepaid devices and remitted to the Nebraska Universal Service Fund. A revenue increase is estimated to be \$125,000 for fiscal year 2019-20 and \$150,000 for fiscal year 2020-21. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 550	AM:	AGENCY/POLT. SUB: Nebraska Public Service Commission	
REVIEWED BY: Ann Linneman	DATE: 2-6-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the Nebraska Public Service Commission's assessment of fiscal impact.			

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

2019

LB⁽¹⁾ 550

FISCAL NOTE

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

Prepared by: ⁽³⁾ Laurie Casados Date Prepared: ⁽⁴⁾ 1/31/2019 Phone: ⁽⁵⁾ 402-471-0252

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	-2,618,740	_____	-3,151,000
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	-2,618,740	=====	-3,151,000

Explanation of Estimate:

LB550 as proposed makes the following changes to the collection of surcharges for three cash funds administered by the Public Service Commission:

1. Exempts all wireless carriers from being required to collect and remit to the Telecommunication Relay System (TRS) fund. This exemption explicitly applies to both postpaid and prepaid wireless services.
2. Reduces the Wireless 911 surcharge cap to \$.35 per active telephone number or functional equivalent for traditional wireless carriers and exempts collection of the Wireless 911 surcharge on all prepaid wireless services.
3. Eliminates the Prepaid Wireless Surcharge Act, which would remove the requirement to collect the Nebraska Universal Service Fund (NUSF) surcharge at the point of sale.

LB550 Fiscal Impact:

Telecommunication Relay System (TRS)

Collection of the TRS surcharge against wireless services makes up over 70% of the fund's revenues. The Commission estimates the fiscal impact to the TRS fund would be a reduction of revenue of \$449,740 for a pro-rated portion of FY2019-20 and a total annual reduction of revenue of \$548,000 in FY2020-21. This estimate is based on a projected rate set for FY2019-20 of \$.03 per line per month, which is projected to increase from the current rate of \$.01. This fund provides assistance for Nebraskans that are deaf, hard of hearing, or deaf/blind to access telecommunications services. In order to meet the obligations of the fund and provide assistance at the current level, the Commission would have to evaluate an increase to the TRS surcharge rate and estimates the surcharge rate would have to increase to at least \$.11 per line, per month.

Wireless 911 Service System

Currently the 911 Service System fund has a rate established of \$.45 per active telephone number or functional equivalent for traditional wireless services and collection of the 911 surcharge against prepaid services occurs at the point of sale. The Commission estimates the fiscal impact of LB550 to be a reduction of revenue of \$2,294,000 for a pro-rated portion of FY2019-20 and a total annual reduction of revenue of \$2,753,000 in FY2020-21. LB550, if enacted would require the Commission to reevaluate the 911 Service System Plan for the transition of the state 911 system to a Next Generation platform, as approved by the Legislature in LB993 during the 2018 Legislative session.

Nebraska Universal Service (NUSF)

LB550 repeals the Prepaid Wireless Surcharge Act, which would eliminate the requirement for point of sale collection against prepaid wireless services and places the collection of the NUSF surcharge against prepaid wireless services back with the Commission. The Prepaid Wireless Surcharge Act currently allows the retailers to retain 3% of surcharge collections and the Department of Revenue to retain .5% of collections for administrative costs. The Commission estimates an increase to NUSF revenues of \$125,000 for a pro-rated portion of FY2019-20 and an annual increase of \$150,000 for FY2020-21 as a result of collection efforts being placed back with the Commission and these additional fees no longer being deducted from NUSF revenues.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				