

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **0807**

HOUSE BILL NUMBER **HB 585/GA**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to relating to 911 emergency services and making an appropriation therefor.**

SPONSOR **Representative King**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Commercial Mobile Radio Service Board, Department of Revenue**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$1,561,700	\$3,123,400	\$3,123,400
EXPENDITURES		\$16,100	\$32,200	\$32,200
NET EFFECT		\$1,545,600	\$3,091,200	\$3,091,200

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of the measure is to change the methodology for collecting the state 911 fee for prepaid service cell phones.

PROVISIONS/MECHANICS: Section 1 creates a new section of KRS 65.750 to 65.760 to establish 911 service charges on communication services that are prepaid, postpaid, or use free minutes.

Section 2 amends KRS 65.750 to update definitions.

Section 3 amends KRS 65.760 to require VoIP providers to collect locally-imposed 911 fees and lists how those fees collected may and may not be expended.

Section 4 amends KRS 65.7621 update definitions.

Section 5 amends KRS 65.7623 to change the name of the Commercial Radio Service Emergency Telecommunications Board to the 911 Services Board and change the number of

members from 10 to 15. The section establishes who shall serve on the board and the meeting requirements of the board.

Section 6 amends KRS 65.7625 to require the administrator to develop and implement the next generation 911 service and perform all functions and duties assigned by the board in carrying out the purposes of KRS 65.7621 to 65.7643.

Section 7 amends KRS 65.7627 to require that revenues from CMRS connections be generated equitably and deposited into the CMRS fund.

Section 8 amends KRS 65.7629 to end the current collection of the prepaid CMRS connection as of January 1, 2017, require the charges collected to be deposited into the CMRS fund, require the independent auditor to verify the accuracy of the CMRS customer information, and forward the copy of the audit to the Legislative Research Commission and the Auditor of Public Accounts.

Section 9 amends KRS 65.7630 to list the information that should be provided by local and state governmental agencies that have jurisdiction over public safety answering points and outline the information that each CMRS provider shall submit to the board.

Section 10 amends KRS 65.7631 to list how the monies in the CMRS fund shall be disbursed.

Section 11 amends KRS 65.7633 to conform.

Section 12 amends KRS 65.7635 to end the current collection method of prepaid service charges as of January 1, 2017.

Section 13 amends KRS 65.7641 to increase the value of wrongfully obtained wireless emergency telephone service from \$100 to \$500 before the offense may be prosecuted as a Class D felony.

Section 14 amends KRS 139.105 to conform.

Section 15 adds a new section of KRS 65.7621 to 65.7643 to change how CMRS prepaid services shall be charged after January 1, 2017.

Section 16 creates a new section of KRS chapter 142 to add definitions.

Section 17 creates a new section of KRS chapter 142 requiring retailers to collect and remit CMRS service charges to the Department of Revenue.

Section 18 creates a new section of KRS chapter 142 requiring each retailer seeking to sell or provide prepaid wireless telecommunication services to register with the Department of Revenue.

Section 19 creates a new section of KRS chapter 142 requiring each retailer to file a return with the Department of Revenue with the payment of CMRS prepaid service charges collected during the preceding month.

Section 20 creates a new section of KRS chapter 142 allowing the Department of Revenue to audit the return filed by the retailer and assess the retailer within four years from the date prescribed by law for filing a return if the amount computed by the Department of Revenue is greater than the amount remitted by the retailer.

Section 21 creates a new section of KRS chapter 142 requiring the retailer to keep adequate records for no less than four years from the original date of the records.

Section 22 creates a new section of KRS chapter 142 requiring the Department of Revenue administer the CMRS prepaid service charge.

Section 23 creates a new section of KRS chapter 142 requiring the Department of Revenue to transfer the CMRS funds remitted to the board on a monthly basis. The Department of Revenue may deduct operating and overhead expenses not to exceed one percent of the amount collected. The monies collected shall not be considered the property of the Commonwealth and are not subject to appropriation by the General Assembly.

Section 24 amends KRS 39G.040 to conform.

Section 25 amends KRS 65.755 to conform.

Section 26 amends KRS 278.541 to conform.

Section 27 amends KRS 278.542 to conform.

Section 28 amends KRS 139.470 to conform.

Section 29 creates a new section of KRS 65.7621 to 65.7643 to establish the Lifeline provider and establish the duties of a Lifeline provider.

Section 30 directs the Governor to make appointments of new members to the 911 services board no later than August 15, 2016.

Section 31 provides that Sections 14 to 23, and Section 28, and Section 29 shall take effect on January 1, 2017.

FISCAL EXPLANATION: HB 585 GA changes the methodology for collecting the state 911 fee on those that utilize prepaid services. Under HB 585, the 911 fee on prepaid services is shifted from the wireless provider to the consumer, who will pay the fee at the time of purchasing "prepaid minutes." The fee will be collected by the retailer and remitted to the Department of Revenue.

The wireless industry estimates that users of prepaid minutes make purchases on average of nine times a year, so the bill sets the point-of-sale 911 fee at a rate of 93¢ per transaction in an effort to capture the full value of 70¢ per device per month over the course of a year from prepaid

users.

The Commercial Mobile Radio Service estimates the number of "prepaid users" in Kentucky to be 800,000 resulting in an estimated total revenue of \$6,720,000 annually. The current revenue on prepaid services is \$3,500,000. The additional revenue generated from HB 585 is \$3,220,000 before deducting a 3% collection fee for retailers and up to 1% in expenses for the Department of Revenue. The total annual revenue for the CMRS Board after retailer collection costs and Department of Revenue expenses have been subtracted is estimated to be \$2,951,200.

The effective date of the new collection methodology is January 1, 2017, so there is no new revenue for FY 2016 and only half of the estimated new revenue for FY 2017.

DATA SOURCE(S): Commercial Mobile Radio Service Board

PREPARER: Seth Dawson NOTE NUMBER: 163 REVIEW: JRS DATE: 3/31/2016