

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

3. **Committee** House Commerce and Labor

4. **Title** Wireless E-911 Fund; Distribution to Localities

2. **Bill Number** SB 1003

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would postpone the date by which the Department is required to recalculate the distribution percentage of Wireless E-911 Fund revenues for each Public Safety Answering Point ("PSAP") from July 1, 2017 to July 1, 2018.

Under current law, 60 percent of the Wireless E-911 Fund is distributed on a monthly basis to PSAPs based on each PSAP's average pro rata distribution from the Wireless E-911 Fund for fiscal years 2007 through 2012. On or before July 1, 2017, and every five years thereafter, the Department of Taxation is required to recalculate the distribution percentage for each PSAP based on the cost and call load data of the PSAP for the previous five fiscal years.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues or total local revenues. To the extent that the recalculation of the distribution formula would be postponed until July 1, 2018, this bill would have an unknown revenue impact on PSAPs receiving distributions from the Wireless E-911 Fund. The E-911 Fund received approximately \$57.96 million in Fiscal Year 2016, with \$27.40 million being distributed to PSAPs based on the distribution formula. According to a recent analysis conducted by staff of the E-911 Services Board

based on four of the five years of required recalculation data, the upcoming recalculation of the distribution percentages could result in small, rural PSAPs losing up to 70 percent of their current wireless revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation
E-911 Services Board
All localities

10. Technical amendment necessary: No.

11. Other comments:

Background

Under current law, each wireless service carrier and reseller must collect a surcharge of \$0.75 per month on each wireless service number of its postpaid customers through its regular billing. Each carrier or reseller may retain an amount equal to three percent of the amount collected as dealer compensation. Additionally, a prepaid wireless E-911 fee of \$0.50 is imposed on each retail purchase of prepaid wireless calling service and collected by retail merchants at the point of sale.

The Wireless E-911 Fund consists of revenues from both the postpaid wireless E-911 surcharge and the prepaid wireless E-911 fee. The E-911 Services Board ("Board") is responsible for allocating the Wireless E-911 Fund revenues and managing moneys appropriated for emergency telecommunication services in local jurisdictions. The Board provides payments to wireless service providers based on their estimated allowable wireless E-911 costs (approximately 30% of the revenues), distributes revenues based on a formula to PSAPs for the wireless E-911 costs of their operators (60% of the revenues), and oversees a grant program for PSAP operators (approximately 10% of the revenues).

The portion of the Wireless E-911 Fund distributed to PSAPs is currently based on each PSAP's average pro rata distribution from the Wireless E-911 Fund for fiscal years 2007 through 2012. On or before July 1, 2017, and every five years thereafter, the Department of Taxation is required to recalculate the distribution percentage for each PSAP based on the cost and call load data of the PSAP for the previous five fiscal years.

The Board's Finance Committee recommended legislative changes to postpone the recalculation of the distribution percentage to July 1, 2018, based on recommendations included in the NG9-11 Feasibility Study that was submitted to the Virginia Information Technologies Agency in May 2015.

Proposal

This bill would postpone the date by which the Department is required to recalculate the distribution percentage of Wireless E-911 Fund revenues for each Public Safety Answering Point ("PSAP") from July 1, 2017 to July 1, 2018.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1719 is identical to this bill.

cc : Secretary of Finance

Date: 1/24/2017 AM
DLAS File Name: SB1003FE161