

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** John C. Watkins

3. **Committee** Senate Commerce and Labor

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

2. **Bill Number** SB 495

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would change the point of distribution of a portion of the Wireless E-911 Fund from the Wireless E-911 Services Board to the Department of Taxation. Beginning July 1, 2012, the 60 percent of the Wireless E-911 Fund distributed on a monthly basis to Public Safety Answering Points ("PSAPs") would be allocated based on each PSAP's average pro rata distribution from the Wireless E-911 Fund for fiscal years 2007 through 2012. The bill would also provide that, on or before July 1, 2017, and every five years thereafter, the Department of Taxation would recalculate the distribution percentage for each PSAP based on the cost and call load data of the PSAP for the previous five fiscal years. This is a recommendation of Governor McDonnell's Government Reform & Restructuring Commission.

Under current law, 60 percent of the Wireless E-911 Fund is distributed on a monthly basis to PSAPs according to a formula determined by the Wireless E-911 Services Board and annually recalculated based on the cost and call load data from one or more of the previous fiscal years.

This is an Executive Bill.

The effective date of this bill is not specified.

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

7. **Fiscal Impact Estimates are:** Not available. (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 the distribution method would be changed, this bill would have an unknown revenue impact on PSAPs receiving distributions from the Wireless E-911 Fund. The Wireless E-911 Fund received approximately \$52.8 million in Fiscal Year 2011 according to the Wireless E-911 Services Board's Fiscal Year 2011 Annual Report.

9. Specific agency or political subdivisions affected:

Department of Taxation
E-911 Services Board
All localities

10. Technical amendment necessary: Yes.

In order to clarify that any correction efforts by the E-911 Services Board would be taken into account when determining the average pro rata distribution of the PSAPs, the following technical amendment is suggested:

Page 1, Line 36, After 2012

Insert: , taking into account any funding adjustments made pursuant to subsection E

In order to clarify that the E-911 Services Board will report cost and call load data it receives to the Department for purposes of recalculating the PSAP distribution, the following technical amendment is suggested:

Page 1, Line 40, After years

Insert: , which data shall continue to be received by the Board and then reported to the Department of Taxation

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. Legislation enacted in the 2011 General Assembly Session transferred the collection of the postpaid wireless E-911 surcharge to the Department of Taxation effective July 1, 2011. Effective January 1, 2011, 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 prepaid wireless E-911 fee is also administered by the Department.

The Wireless E-911 Fund consists of revenues from both the postpaid wireless E-911 surcharge and the prepaid wireless E-911 fee. Currently, the Board is responsible for

allocating the Wireless E-911 Fund revenues and managing moneys appropriated for emergency telecommunication services in local jurisdictions. After the Board subtracts sufficient funds for various appropriations provided in the Appropriations Act, 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 their 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 Board is currently required by law to annually recalculate the distribution percentages of the Wireless E-911 Fund to the PSAPs.

Proposal

This bill would provide that, beginning July 1, 2012, the 60 percent of the Wireless E-911 Fund distributed on a monthly basis to public safety answering points ("PSAPs") would be allocated based on each PSAPs average pro rata distribution from the Wireless E-911 Fund for fiscal years 2007 through 2012. The bill would also provide that, on or before July 1, 2017, and every five years thereafter, the Department of Taxation would recalculate the distribution percentage for each PSAP based on the cost and call load data of the PSAP for the previous five fiscal years.

This is a recommendation of Governor McDonnell's Government Reform & Restructuring Commission, which worked to develop proposals for reforming state government to reduce costs and improve service delivery. On December 21, 2010, the Commission submitted its full report to the Governor with 133 recommendations and observations. The Commission met again the summer of 2011 to provide an update on the 2010 recommendations and to adopt additional recommendations proposed by the six working groups: Health and Human Resources, Natural Resources, Administration/HR, Finance, and Commerce and Trade. The Finance working group proposed three recommendations regarding tax collection, including the transfer of the PSAP distribution of the Wireless E-911 Fund to the Department.

This is an Executive Bill.

The effective date of this bill is not specified.

Similar Legislation

House Bill 455 is identical to this bill.

cc : Secretary of Finance

Date: 1/23/2012 AM
DLAS File Name: SB495F161