

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 10-0830
Prime Sponsor(s): Sen. White
 Rep. Rice

Date: February 17, 2010
Bill Status: Senate Finance
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TITLE: CONCERNING THE INCLUSION OF PREPAID WIRELESS TELEPHONE SERVICE AMONG THE SERVICES SUBJECT TO THE SURCHARGE THAT FUNDS ENHANCED 911 EMERGENCY SERVICES.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
General Fund*	\$1,567,621	\$3,762,291
Fines	\$5,000	\$10,000
State Expenditures		
<u>General Fund - Total</u>	<u>\$1,693,816</u>	<u>\$3,938,189</u>
Disbursements to Local 911 Boards	\$1,117,621	\$3,724,668
Program Administration	576,195	\$213,521
FTE Position Change	1.4 FTE	2.5 FTE
Effective Date: January 1, 2011.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

* Remittances of prepaid wireless E911 charges are collections for local governing bodies, not general revenues of the state. These collections shall be held in trust in a separate account for distribution to each governing body.

Summary of Legislation

This bill imposes a charge of 1.4 percent on the retail sale of prepaid wireless telephone service to fund local enhanced 9-1-1 services (E911). The Department of Revenue will collect the E911 charges and remit them to the local 911 authority boards based on a formula established by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies. Retail sellers can retain 2 percent of the E911 charges collected from consumers, and are subject to penalties for failure to collect or remit charges. The Department of Revenue is authorized to retain up to \$450,000 of the E911 charges from January 1, 2011, through January 1, 2012, to cover the department's initial start-up costs and up to 2 percent per year thereafter.

State Revenue

SB10-120 is expected to increase revenue by \$1.6 million in FY 2010-11 and \$3.8 million in FY 2011-12. Of these amounts, \$1.1 million and \$3.7 million will be held in trust for local 911 boards in FY 2010-11 and FY 2011-12, respectively. These totals reflect a deduction of 2 percent to retail sellers.

The Department of Revenue may retain up to \$450,000 for initial start up costs from January 1, 2011 through January 1, 2012 and up to 2 percent for administering the collection and remittance of charges. The fiscal note assumes that the full \$450,000 will be received by the department in FY 2010-11 and \$37,623 in FY 2011-12. Beginning in FY 2012-13, revenue to the department will be \$75,246 annually for administration.

Fine revenue to the General Fund of \$5,000 in FY 2010-11 and \$10,000 in FY 2011-12 is also included.

State Expenditures

Expenditures will increase by \$576,195 and 1.4 FTE in FY 2010-11 and \$213,521 and 2.5 FTE in FY 2011-12. The Department of Revenue will update its new accounting system to enter, store, and track remittances from retailers. This programming will be accomplished by the vendor currently on contract with the department at a cost of \$450,000. In addition, the department will:

- notify retail sellers of the new collection requirements;
- establish procedures in rule;
- develop and distribute remittance forms; and
- collect, process, and distribute remittances.

The department's costs are detailed in Table 1.

Table 1. Expenditures Under SB10-120		
Cost Components	FY 2010-11	FY 2011-12
Personal Services	\$49,931	\$90,369
FTE	1.4	2.5
Contract Services	\$12,256	\$30,640
Computer Programming	\$450,000	
Printing and Postage	\$56,060	\$84,800
Operating Expenses	\$1,410	\$2,575
Capital Outlay	\$6,538	\$5,137
TOTAL	\$576,195	\$213,521

Although the bill provides for start up costs and 2 percent of charges for administration of the program, these moneys are inadequate to cover the expenses of the department. The fiscal note assumes General Fund appropriations will be required to make up the deficit. The deficit is estimated at \$121,195 for FY 2010-11 and \$165,898 for FY 2011-12.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under SB10-120*		
Cost Components	FY 2010-11	FY 2011-12
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$9,940	\$17,750
Supplemental Employee Retirement Payments	1,857	4,089
TOTAL	\$11,797	\$21,839

**More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>*

Local Government Impact

Revenue to the 56 local 911 authority boards are expected to increase by \$1.1 million in FY 2010-11 and \$3.7 million in FY 2011-12 from charges on prepaid wireless telephone service. The amount each board receives will depend on the formula established by the PUC.

State Appropriations

For FY 2010-11, the Department of Revenue requires an appropriation of \$450,000 from E911 charges and a General Fund appropriation of \$126,195 and 1.4 FTE.

Departments Contacted

Revenue Regulatory Agencies Local Affairs Public Safety