

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 1261 (First Edition)

SHORT TITLE: Wireless Telephone Service.

SPONSOR(S): Representative Underhill

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:					
General Fund	No Impact				
Wireless Fund	[See Assumptions and Methodology]				
Local Government	[See Assumptions and Methodology]				
EXPENDITURES:					
General Fund	No Impact				
POSITIONS (cumulative):	N/A	N/A	N/A	N/A	N/A
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Wireless Fund, Wireless 911 Board, and Local Government (eligible primary Public Safety Answering Points(PSAPs))					
EFFECTIVE DATE: When the bill becomes law.					

BILL SUMMARY: The bill amends the laws pertaining to the state Wireless 911 Board and the state Wireless Fund. In Section 2, the bill requires Board members to disclose interests in firms or corporations seeking to contract with the Board and makes members subject to the conflict of interest provisions in G.S. 14-234. Section 3 enacts a new G.S. 62A-22.1, setting forth additional powers and duties for the Board. In Section 4, the bill reduces the wireless enhanced 911 (E-911) service charge (a charge levied on users of commercial mobile radio services (CMRS)) from 80 cents to 70 cents per month. Section 5 requires CMRS providers to collect the charge from their subscribers. Section 6 reallocates a portion of the Wireless Fund that presently goes to CMRS providers to primary public safety answering points (PSAPs, or also referred to as 911 Centers). Also Section 6 provides that to receive funds, a PSAP must comply with the wireless enhanced 911 service requirements established by the Federal Communications Commission (FCC), and it

requires counties and municipalities with more than one PSAP to submit written information to the Board identifying the PSAPs. Section 7 enacts a new G.S. 62A-25.1, setting forth the procedures by which the Board may require a CMRS provider or a PSAP that misuses funds from the Wireless Fund to reimburse the Fund. Section 8 creates staggered terms by providing that the terms of certain named members of the Wireless Board will expire on June 30, 2005, and the terms of the remaining members will expire on June 30, 2006.

Source: Adopted from Bill Digest H.B. 1261 (04/18/2005)

ASSUMPTIONS AND METHODOLOGY: Sections 4, 5, and 6 of the bill are projected to fiscally impact the Wireless Fund. Details of how each Section contributes to the bill's overall fiscal impact are as follows:

Section 4 reduces the monthly wireless enhanced 911 (E-911) service charge (surcharge), collected for each wireless connection, from \$0.80 to \$0.70 beginning October 1, 2005. Under G.S. 62A-24, each CMRS provider collects the surcharges from its subscribers as a part of its routine billing process and remits them, less a statutorily allowed one-percent (1%) administrative fee, to the Wireless Fund. Additionally by statute, the Board is entitled to deduct a one-percent (1%) administrative fee from the surcharges for its expenses. Of the remaining monthly remittances, the Board allocates sixty-percent (60%) of the funds in the Wireless Fund to reimburse CMRS providers for costs they incur to comply with the wireless E-911 requirements; forty-percent (40%) is to be distributed monthly to eligible PSAPs. Fifty percent (50%) of the money for the PSAPs is divided equally among the total number of PSAPs in North Carolina and 50% is divided prorata among the eligible PSAPs based on the population serviced by the PSAP. The Board reports that the fiscal impact of Section 4 would be to reduce revenue to the Wireless Fund from an estimated \$40,179,600 to \$35,157,150 in FY 2005-06 (13% decrease). The effect would be less revenue for the Wireless 911 Board, CMRS providers, and for eligible primary PSAPs. This Board reports that Section 6 would prevent a revenue loss for PSAPs because it modifies the percentage of the Wireless Fund allocated for PSAPs from 40% to 47% and CMRS providers from 60% to 53%. The Board estimates that reducing the surcharge to \$0.70 per wireless connection would not prevent the Board from covering its costs for its duties and responsibilities, including those added by Section 3, within its projected revenues from the 1% administrative fee. Also, the Board reported that the surcharge reduction would not prevent it from meeting its statutory responsibility of ensuring full recovery for CMRS providers as required by G.S. 62A-23(b). The Board's projected total revenues to the Wireless Fund at both the current \$0.80 rate and at the proposed \$0.70 rate are shown below in Table 1. The Board's revenue estimate includes a 2.5% conservative industry projection growth rate.

Table 1
Comparison of Projected Wireless Fund Revenues from \$0.80 and \$0.70 Surcharge Rates

Wireless (CMRS) Surcharge per Connection	Fiscal Years				
	2005-06	2006-07	2007-08	2008-09	2009-10
\$0.80 (current)	\$40,179,600	\$41,184,090	\$42,213,692	\$43,269,035	\$44,350,760
\$0.70 (proposed)	\$35,157,150	\$36,036,079	\$36,936,981	\$37,860,405	\$38,806,915
Net Revenue Decrease:	(\$5,022,450)	(\$5,148,011)	(\$5,276,711)	(\$5,408,630)	(\$5,543,845)

Section 5 clarifies that CMRS providers are to collect the wireless E-911 surcharge from their subscribers, including persons with a subscription to a prepaid wireless service. Currently, CMRS providers are not required to report to the Board on whether they collect and remit the surcharge from their prepaid service subscribers. Although the Board projects that the surcharges collected on prepaid wireless service connections would minimally increase the Wireless Fund's revenue, it does not have an estimate of how much prepaid service surcharge revenue would be remitted as a result of this bill.

Section 6 modifies the allocation of the funds in the Wireless Fund between the funds reserved to reimburse the CMRS providers from 60% to 53% and the funds to be distributed monthly to eligible PSAPs from 40% to 47%. As mentioned previously in the discussion of Section 4's fiscal impact, the Board estimates that if the rate is decreased to \$0.70, but the funds are not reallocated, then the PSAPs would receive less money. The Board reports that PSAPs budgets do not indicate a need for less Wireless Fund revenue. Table 2 below shows the Board's estimates of what the different revenue streams would be for the PSAPs, with the surcharge set at \$0.80 and \$0.70, at the 40% and 47% funding allocation levels.

Table 2					
Wireless Fund's Allocation to the PSAP Fund* - Comparison of 40% to 47% Funding Allocation Levels					
	Fiscal Years				
	2005-06	2006-07	2007-08	2008-09	2009-10
<i>Estimated PSAP Revenue from Wireless Fund \$0.80 Surcharge Per CMRS Connection</i>					
40% of funds (current)	\$15,911,122	\$16,308,900	\$16,716,622	\$17,134,538	\$17,562,901
<i>Estimated PSAP Revenue from Wireless Fund \$0.70 Surcharge Per CMRS Connection</i>					
40% of funds	\$13,922,231	\$14,270,287	\$14,627,044	\$14,992,720	\$15,367,538
47% of funds (proposed)	\$16,358,622	\$16,767,587	\$17,186,777	\$17,616,447	\$18,056,858

*Estimated annual Wireless Fund revenue from surcharge distributed to PSAPs

SOURCES OF DATA: Wireless 911 Board

TECHNICAL CONSIDERATIONS: None

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