

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

BILL NUMBER: House Bill 1261 (Third Edition)

SHORT TITLE: 911/Wireless Service/Wire Expenses & Charges.

SPONSOR(S):

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, Local Government (including eligible primary Public Safety Answering Points(PSAPs)), and the NC General Assembly (Joint Legislative Utility Review Committee)					
EFFECTIVE DATE: Section 10 becomes effective July 1, 2005 and the remainder when the bill becomes law.					

BILL SUMMARY: The bill amends the laws pertaining to the state Wireless 911 Board and the state Wireless Fund. It also amends the laws pertaining to wire 911 expenses in Article 1 of Chapter 62A of the General Statutes. Sections 1 through 8 address wireless 911. In Section 1, the bill modifies a number of existing definitions and enacts some new definitions. Section 2 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) surcharge (a charge levied on users of commercial

mobile radio services (CMRS)) from 80 cents to 70 cents per month. It also provides that CMRS providers collect the monthly surcharge from subscribers to prepaid wireless service and provides the methods of collection. Section 5 clarifies that monthly billing of the surcharge applies to other than prepaid wireless customers. 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 911 Fund to reimburse the Fund. Section 8 creates staggered terms by providing that the terms of certain named members of the Wireless 911 Board will expire on June 30, 2005, and the terms of the remaining members will expire on June 30, 2006. Sections 9 through 11 address wire 911. Section 9 amends current statute to clarify that any expense not specifically authorized is not eligible for payment from the Emergency Telephone System Fund (i.e., local governments' special wire 911 Funds). Section 10 provides that the maximum 911 charge imposed by local governments may not exceed the amount charged on July 1, 2005. Section 11 directs the Joint Legislative Utility Review Committee to study specified issues relative to 911 charges and to report findings and recommendations to the 2006 Regular Session of the 2005 General Assembly and to the 2007 General Assembly.

Source: Adopted from Bill Digest H.B. 1261 (8/10/05).

ASSUMPTIONS AND METHODOLOGY: Sections 4 and 6 of the bill are projected to fiscally impact the Wireless Fund. Section 10 would not have any fiscal impact unless a local government was planning to increase its 911 charges after July 1, 2005. Section 11 is not expected to require an additional appropriation to implement. 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)

* *These surcharge revenue projections do not include an estimate of any additional prepaid service subscriber revenues as a result of this bill.*

Section 4 also provides that each CMRS provider must collect the monthly surcharge from subscribers to prepaid wireless service and provides the methods of collection (either monthly from each subscriber or monthly by a calculation based on revenue from prepaid customers). 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

*Estimated PSAP Revenue from Wireless Fund \$0.70 Surcharge
Per CMRS Connection*

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

Section 10 provides that the maximum 911 charge imposed by local governments may not exceed the amount charged on July 1, 2005. Because the bill does not change the rate, there is no fiscal impact. In the event that a local government was planning a fee increase after July 1, 2005, the bill would prevent that and the planned expenditures would be delayed or funded from other sources.

Section 11(a) directs the Joint Legislative Utility Review Committee to study issues related to Article 1 of Chapter 62A, which addresses the availability of a toll free number for individuals in the State to receive rapid and direct access to public safety service. The General Assembly's budget for the 2005-07 Biennium includes funding each fiscal year to support the work of the Committee. Specifically, \$22,500 for FY 2005-06 and \$17,500 for FY 2006-07 is budgeted. Therefore, no additional appropriation would be required for the Committee to conduct the study.

Section 11 (b) requires the Committee to submit a report to the General Assembly in the 2006 Session. Any cost associated with the preparation of the report would be managed within the Committee's annual budget.

SOURCES OF DATA: Wireless 911 Board and the NC General Assembly

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Kathie Austin, Rodney Bizzell, and Michele Nelson

APPROVED BY: James D. Johnson, Director
Fiscal Research Division



DATE: August 11, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices