

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2051 – HB 2192

March 28, 2016

SUMMARY OF ORIGINAL BILL: Extends from September 15, 2017, to September 15, 2018, the date by which the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) is required to report on 911 surcharges and the implementation of IP-based next generation 911 technology to the Government Operations Joint Committee.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (015019): Deletes all language after the enacting clause. Deletes provisions in Tenn. Code Ann. § 7-86-110 regarding the Tennessee Emergency Communications Board's (Board) standing to bring claims against dealers for non-payment or under-collection errors relating to the collection of 911 surcharges. Makes various changes regarding the collection and remittance of 911 surcharges. Authorizes dealers to retain an administrative fee of up to two percent of the collections of the 911 surcharge on the retail sale of communications service and decreases the fee from three percent to two percent that dealers are authorized to retain on prepaid communications. Authorizes the Department of Revenue (DOR) to deduct an administrative fee of one and one hundred twenty-five thousandths percent (1.125%) of the collected charges to cover its expenses of administering the collection and remittance of 911 charges prior to surcharges being deposited into to the 911 Emergency Communications Fund.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Revenue – Net Impact - \$852,400/Department of Revenue
\$54,200/General Fund**

**Decrease State Revenue – Net Impact - \$108,700/911 Emergency
Communications Fund**

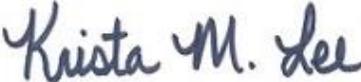
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Assumptions for the bill as amended:

- According to the FY14-15 Tennessee Emergency Communications Board annual report, \$79,789,700.78 was collected from the 911 surcharge in FY14-15. This number is assumed to remain constant in subsequent years.
- Pursuant to Tenn. Code Ann. § 7-86-128(f)(2), a dealer of prepaid communications service is permitted to deduct and retain up to three percent of 911 surcharges that are collected by the dealer from consumers.
- Pursuant to Tenn. Code Ann. § 7-86-110, dealers are entitled to retain an administrative fee of up to three percent of the collections of the 911 surcharge on the retail sale of communications service.
- The provisions of the bill as amended limit the amount a dealer is authorized to retain for prepaid communications service and retail sale of communications service to two percent.
- Assuming retail dealers will retain the maximum two percent administrative fee, dealers will remit an additional one percent of 911 surcharge fees annually to the DOR in an amount estimated to be \$797,897 ($\$79,789,700.78 \times 0.01$).
- Pursuant to Tenn. Code Ann. § 7-86-128(f)(4), the DOR may charge a fee up to two percent of collected charges from the prepaid communication services to reimburse its direct costs of administering the collection and remittance of 911 surcharges.
- Based on information from DOR, the Department is not currently collecting an administrative fee from the pre-paid communication services that it receives from the funds remitted to the Department. Instead, the Department of Finance and Administration is making a recurring appropriation to the DOR from the state General Fund to cover DOR's administrative costs.
- Based on information from DOR, the appropriation that was received by the Department for administrative costs in FY14-15 was \$54,200. This number is assumed to remain constant under current law.
- Under the provisions of the bill as amended, DOR will collect 1.125 percent of the entirety of 911 surcharges that are collected, including non-prepaid and prepaid 911 communication services.
- The DOR will no longer receive an appropriation from the General Fund; as a result, a recurring increase in state revenue to the General Fund of \$54,200.
- The total recurring increase in revenue to the DOR is estimated to be \$906,610 [$(\$79,789,700 + 797,897) \times 1.125\%$]. This number is assumed to remain constant under the provisions of this legislation.
- The net recurring increase in state revenue to DOR is estimated to be \$852,410 ($\$906,610 - \$54,200$).
- The DOR will deposit the remaining funds into the 911 Emergency Communications Fund.
- The recurring decrease in state revenue to the 911 Emergency Communications Fund is estimated to be \$108,713 [$\$79,789,700 - [(\$79,789,700 + \$797,897) \times 98.875\%]$].
- Any increase in personnel or other costs that DOR will incur as result of collecting and auditing 911 surcharges for non-prepaid communications services will be funded from the administrative fee collected.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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