PREPARED BY: DATE PREPARED: PHONE: Scott Danigole February 10, 2017 471-0055

LB 157

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	7-18	FY 2018-19					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS								
CASH FUNDS	(219,322)	(203,022)	(258,625)	(246,625)				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	(219,322)	(203,022)	(258,625)	(246,625)				

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 157 changes provisions related to the Nebraska Telecommunications Universal Service Fund Act.

Section 3 provides a definition for "Prepaid wireless telecommunications service provider".

Section 4 requires universal service fund contribution and surcharge obligations for prepaid wireless telecommunications service providers be governed by the Prepaid Wireless Surcharge Act.

Section 6 adds a factor to computing the prepaid wireless surcharge. The added factor is the percentage obtained by multiplying the Nebraska Telecommunications Universal Service Fund surcharge percentage by the inverse of the Federal Communications Commission safe harbor percentage for determining the interstate portion of a fixed monthly wireless charge.

The Public Service Commission estimates removing the direct assessment for prepaid wireless carriers from the Universal Service Fund will result in decreased revenue and aid distribution in the amount of (\$219,322) for fiscal year 2017-18 and (\$258,625) for fiscal year 2018-19. There is no basis to disagree on these estimates.

The Department of Revenue estimates a cash fund revenue increase of \$16,300 for fiscal year 2017-18 and \$12,000 for fiscal year 2018-19. This is based on the section 6 calculation change. There is no basis to disagree with these estimates.

LB ⁽¹⁾ 157				FISCAL NOTE
State Agency OR Pol	litical Subdivision Name: (2)	Nebraska Public S		
Prepared by: (3)	Suzie Hinzman	Date Prepared: (4)	1/19/2017 Phone: (5	402-471-0240
	ESTIMATE PROVID	DED BY STATE AGENC	Y OR POLITICAL SUBDIVIS	ION
		2017-18	<u>FY 201</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	S			
CASH FUNDS	Aid -219,322	-219,322	Aid -258,625	-258,625
FEDERAL FUNDS	<u> </u>		<u> </u>	
OTHER FUNDS			<u> </u>	
TOTAL FUNDS	-219,322	-219,322	-258,625	-258,625
Explanation of Est	imate:			

LB 157 amends the Nebraska Telecommunications Universal Service Fund Act by removing the direct assessment of universal service fund contributions by prepaid wireless carriers from the Commission and moving the collection and remittance responsibilities to the retail selling agent. In doing so, three point five percent of surcharge revenue would be diverted away from the Commission thereby lowering distributions of aid.

The three point five percent reduction consequential to this legislation would have a considerable impact on the Commission's ability to distribute aid. For example, this reduction would equate to one less cell tower being built this year, one fewer broadband project, or the funding necessary to keep thousands of low-income subscribers connected.

BREAKI	OWN BY MAJ	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
	NUMBER OF POSITIONS		2017-18	2018-19
POSITION TITLE	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid			-219,322	-258,625
Capital improvements				
TOTAL			-219,322	-258,625

		State Agency	Estimate				
State Agency Name: Departmen	nt of Revenue				Date Due LFA:	2/9/2017	
Approved by: Tony Fulton		Date Prepared:	2/9/2017		Phone: 471-5896		
	FY 201	FY 2017-2018		FY 2018-2019		FY 2019-2020	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds							
Cash Funds		\$ 16,300		\$ 14,300		12,000	
Federal Funds							
Other Funds							
Total Funds		\$ 16,300		\$ 14,300		12,000	

LB 157 amends Neb. Rev. Stat. §§ 86-328 (the Universal Service Fund) and 86-903, 86-904 & 86-905 (Prepaid Wireless Surcharge) to change the collection of the Universal Service Fund (USF) for sales of wireless service. Currently, the Public Service Commission (PSC) collects the USF assessment from all carriers. Under LB 157, the USF assessments for wireless carriers would instead be collected by the retailers and remitted to the Department of Revenue.

The calculation of the Prepaid Wireless Surcharge (PWS) would be changed by adding another percentage: the USF surcharge percentage rate times the inverse of the FCC safe harbor percentage for determining the interstate portion of a fixed wireless charge. (The "inverse" would probably be more appropriately calculated by stating one minus the amount.) Sellers are to remit the PWS monthly except that, if the seller collected less than \$1,000 in the prior year, the remittance can be annual. The 2% collection fee that is currently retained by the Department of Revenue would be changed to ½ % under LB 157.

LB 157 adds a new definition of prepaid wireless telecommunications service provider. A PWS provider is subject to audit by the PSC. The bill provides that the Department is to provide the PSC with PWS calculation and collection data upon request.

The estimated increase in revenue to the Department for a ½ % collection fee is as follows:

FY 2017-18 \$ 16,300 FY 2018-19 \$ 14,300 FY 2019-20 \$ 12,000

It is estimated that there will be no cost to the Department to implement this bill.

Major Objects of Expenditure								
Class Code	Classification Title	17-18 <u>FTE</u>	18-19 <u>FTE</u>	19-20 <u>FTE</u>	17-18 Expenditures	18-19 Expenditures	19-20 Expenditures	
Benefits								