Scott Danigole February 07, 2018 471-0055

LB 157

Revision: 02 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Updated to reflect all amendments adopted to date.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	8-19	FY 2019-20				
	EXPENDITURES REVENUE		EXPENDITURES	REVENUE			
GENERAL FUNDS							
CASH FUNDS	(175,499)	(161,199)	(181,852)	(169,852)			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	(175,499)	(161,199)	(181,852)	(169,852)			

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

LB 157, as amended, 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 one minus 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 (\$175,499) for fiscal year 2018-19 and (\$181,852) for fiscal year 2019-20. There is no basis to disagree on these estimates.

The Department of Revenue estimates a cash fund revenue increase of \$14,300 for fiscal year 2018-19 and \$12,000 for fiscal year 2019-20. This is based on the section 6 calculation change. There is no basis to disagree with these estimates.

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 157, <i>J</i>	AM1693, AM171	8		FISCAL NOTE			
State Agency OR Po	olitical Subdivision Name: ⁽²⁾	Nebraska Public Service Commission					
Prepared by: ⁽³⁾	Suzie Hinzman	Date Prepared: ⁽⁴⁾	2/2/18 Phone: (5)	402-471-0240			
	ESTIMATE PROVII	DED BY STATE AGEN(Y OR POLITICAL SUBDIVISI	ON			
	FY	2018-19	FY 2019	019-20			
	EXPENDITURES		EXPENDITURES	REVENUE			
GENERAL FUND	DS						
CASH FUNDS	Aid -175,499	-175,499	Aid -181,852	-181,852			
FEDERAL FUND	S						
OTHER FUNDS							
TOTAL FUNDS	Aid -175,499	-175,499	Aid -181,852	-181,852			

Explanation of Estimate:

LB157, as amended by AM1693 and AM1718, 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.

<u>BREAKD</u>	OWN BY MAJ	OR OBJECTS O	<u>F EXPENDITURE</u>		
Personal Services:					
	NUMBER OF POSITIONS		2018-19	2019-20	
POSITION TITLE	<u>18-19</u>	<u>19-20</u>	EXPENDITURES	EXPENDITURES	
Benefits					
Operating					
Travel					
Capital outlay					
Capital outlay					
Aid			-175,499	-181,852	
Capital improvements					
TOTAL			-175,499	-181,852	

LB 157 AM1693/1718

Fiscal Note 2018

State Agency Estimate						
State Agency Name: Department of	f Revenue				Date Due LFA:	2/6/2018
Approved by: Tony Fulton		Date Prepared:	2/1/2018		Phone: 471-5896	
	FY 201	8-2019	FY 201	9-2020	FY 20	20-2021
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds						
Cash Funds		\$ 14,300		\$ 12,000		\$ 9,400
Federal Funds						
Other Funds						
Total Funds		\$ 14,300		\$ 12,000		\$ 9,400

State A man ary Estimate

LB 157 amends Neb. Rev. Stat. §§ 86-328 (the Universal Service Fund) 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.

AM 1693 expresses the PWS as a rate and AM 1718 corrects the expression of the Universal Service Fund surcharge calculation to "one minus the FCC safe harbor percentage" rather than "the inverse."

Because of the significant increase to the PWS base, there will be an increase in revenue to the Department from the collection fee even though the rate would be reduced from 2% to $\frac{1}{2}\%$. The estimated increase in revenue from the collection fee is as follows:

FY 2018-19\$ 14,300FY 2019-20\$ 12,000FY 2020-21\$ 9,400

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure							
<u>Class Code</u>	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 <u>Expenditures</u>	19-20 <u>Expenditures</u>	20-21 <u>Expenditures</u>
	Benefits						
Travel							
Aid							
T-4-1							