



**Colorado
Legislative
Council
Staff**

HB16-1414

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1193
Prime Sponsor(s): Rep. Rankin
Sen. Steadman

Date: July 7, 2016
Bill Status: Signed into Law
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BILL TOPIC: FUNDING BASE FOR TELECOMMUNICATIONS RELAY SERVICES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	<u>\$2,218,292</u>	<u>\$2,218,292</u>
Cash Funds	2,218,292	2,218,292
State Expenditures	<u>\$271,402</u>	<u>\$297,081</u>
Cash Funds	247,655	272,219
Centrally Appropriated Costs	23,747	24,862
TABOR Impact		\$2,218,292
FTE Position Change	2.0 FTE	2.0 FTE
Appropriation Required: \$247,655 - Multiple agencies (FY 2016-17).		
Future Year Impacts: Ongoing state revenue and expenditure increase.		

Summary of Legislation

This bill expands the application of the telecommunications relay surcharge (TRS), which currently applies only to landlines, to customers of mobile wireless providers and subscribers of Voice over Internet Protocol (VoIP) in Colorado. The bill establishes a TRS charge of 0.1 percent of the amount of a retail transaction for prepaid wireless to be collected with the prepaid E911 charge, and a TRS charge of up to \$0.15 per month for residential or commercial voice service plans. The monthly TRS charge will be set by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies (DORA). Federally supported lifeline service is exempted from the TRS.

The TRS will be deposited into the Colorado Telephone Users with Disabilities Fund, formerly the Colorado Disabled Telephone Users Fund. The fund pays for two-way communication for individuals with hearing or speech disabilities. The TRS on prepaid wireless will be collected by the Department of Revenue. Retail sellers may deduct and retain 3.3 percent of the prepaid wireless TRS charges as reimbursement for administrative costs. Voice service (local exchange, wireless, or VoIP) providers transmit the monthly surcharge directly to the State Treasurer for credit to the Colorado Telephone Users with Disabilities Fund and may deduct and retain 0.75 percent of the TRS as reimbursement for administrative costs.

The additional surcharge revenue will be used to cover annual appropriations to the

Reading Services for the Blind Cash Fund in the Colorado Department of Education, the Colorado Commission for the Deaf and Hard of Hearing Cash Fund in the Department of Human Services (DHS), and to reimburse the Department of Revenue for its administrative costs in collecting prepaid wireless TRS charges.

Finally, the bill removes the 3.0 percent statutory cap on the PUC's administrative costs associated with developing, implementing, and administering telecommunications relay services. The bill does not affect the PUC's jurisdiction or method of regulation over telecommunications or VoIP providers.

Background

The Colorado Disabled Telephone Users Fund pays for the PUC's efforts to provide telecommunication services to Coloradans who are deaf, hard of hearing, speech impaired, deaf-blind, and those with central nervous system disabilities, and to similar programs in the CDE and DHS.

The fund receives revenue from a surcharge on landlines, which is currently set at a rate of \$0.05 per line per month. The surcharge is set by the PUC to generate enough revenue to meet the General Assembly's appropriations for the programs listed above, approximately \$2.9 million in FY 2016-17. At the time the surcharge was set at \$0.05 on January 1, 2014, the fund had a reserve balance of 100 percent of program expenditures. Beginning July 1, 2017, the fund will be subject to excess uncommitted reserve requirements so the surcharge has been set artificially low to shrink the fund's balance. The current surcharge level has been effective at bringing the fund's reserve balance down to a level that will meet the excess uncommitted reserve requirements. However, the PUC will need to increase the rate to cover FY 2016-17 appropriations.

State Revenue

Beginning in FY 2016-17, this bill is expected to increase state cash fund revenue by \$2,218,292 annually to the Colorado Telephone Users with Disabilities Fund in the DORA. This revenue estimate is based on the existing \$0.05 monthly surcharge rate, which equates to \$.60 per year, applied to wireless subscribers.

Assumptions. Wireless lines and VoIP services are not currently regulated by the PUC. As a result, the figures used to calculate state revenue are estimates. A reliable estimate of VoIP subscribers was not available, so no estimate of surcharge revenue for VoIP services is included in the fiscal note.

The fiscal note assumes 3,697,154 wireless users in the state, based a Pew Research Center report that 90 percent of adults in the United States have a cell phone and estimating that there are 4.1 million people in Colorado age 18 years of age and older. This represents a conservative estimate, as people younger than 18 years old have cell phones and people can own more than one cell phone.

Fee impact on individuals and business. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 below identifies the fee impact of this bill with an annual surcharge of \$0.60 per line. The \$.60 monthly surcharge is currently charged on approximately 1.6 million landlines and

generates about \$900,000 per year. If necessary, the PUC will adjust the surcharge to include the new users during a rulemaking process.

Table 1. Fee Impact on Individuals and Businesses Under HB16-1414			
Type of Fee	Number Affected	Proposed Annual Surcharge	Total Fee Impact
Telephone Relay Surcharge	3,697,154	\$0.60	\$2,218,292

TABOR Impact

This bill increases state revenue from surcharges, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. No TABOR refund is projected for FY 2016-17.

State Expenditures

This bill will increase expenditures by \$271,402 and 2.0 FTE in FY 2016-17 and \$297,081 and 2.0 FTE in FY 2017-18. Of this, \$196,525 and 2.0 FTE in FY 2016-17 is for the Colorado Commission for the Deaf and Hard of Hearing in the DHS and \$74,877 is for the Department of Revenue. The costs in FY 2017-18 are all for DHS. The bill also increases workload for the PUC and costs to state agencies that utilize cell phones. These costs are shown in Table 2 and discussed further below.

Table 2. Expenditures Under HB16-1414		
Cost Components	FY 2016-17	FY 2017-18
<i>Department of Human Services - Total</i>	<i>\$196,525</i>	<i>\$297,081</i>
Personal Services	99,058	98,659
FTE	2.0 FTE	2.0 FTE
Service Support Professional Services	36,000	120,000
Training for Service Support Professionals	7,920	9,760
Orientation and Mobility Services	16,200	41,400
Training for Orientation and Mobility Service Providers	13,600	2,400
Centrally Appropriated Costs*	23,747	24,862
<i>Department of Revenue - Total</i>	<i>\$74,877</i>	
Computer Programming	66,000	
System Testing	7,677	
Document Changes	1,200	
TOTAL	\$271,402	\$297,081

* Centrally appropriated costs are not included in the bill's appropriation.

Services. The 2.0 FTE for the Colorado Commission for the Deaf and Hard of Hearing will include a full-time Outreach Consultant and a full-time Deaf-Blind Services Coordinator. The Deaf-Blind Services Coordinator will be responsible for establishing, organizing, and administering a statewide program for the provision of deaf-blind services which will include support service providers and orientation and mobility services.

Department of Revenue. To collect the new prepaid wireless charge required under the bill, the DOR will make changes to its GenTax software and test the changes. The software programming will require 330 hours at a rate of \$200 hour. System testing will require \$7,677 for Taxpayer Service Division staff. The imaging and scanning contractor will make changes to its optical character recognition software to reflect changes to the form used for information related to prepaid wireless notices at a cost of \$1,200, which is reappropriated to the Department of Personnel and Administration. These costs are for FY 2016-17 only. The DOR will also have a workload increase to establish procedures and support retail sellers in collecting the TRS. This workload increase can be accomplished within existing appropriations.

Public Utilities Commission, Department of Regulatory Agencies. The PUC routinely conducts rulemaking to implement legislative changes. Setting the fees for the monthly surcharge can be accomplished within existing appropriations.

State agencies. State agencies that use wireless and VoIP services will have an increase in costs to pay for the surcharge. For example, an agency with 1,000 cell phone users will have increase costs of \$600 per year for the surcharge. These costs are expected to be addressed within existing appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under HB16-1414		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$16,008	\$16,022
Supplemental Employee Retirement Payments	7,739	8,840
TOTAL	\$23,747	\$24,862

Local Government, School District, and Statutory Public Entity Impact

To the extent that local governments, school districts, and statutory public entities use wireless and VoIP services, these entities will have an increase in costs to pay for the surcharge.

Effective Date

The bill was signed into law by the Governor on May 4, 2016, and takes effect September 1, 2016. The bill applies to surcharges assessed on or after the effective date. The appropriation to the Department of Human Services is effective July 1, 2016.

State Appropriations

For FY 2016-17, the bill requires a total appropriation of \$247,655 from the Colorado Telephone Users with Disabilities Fund and an allocation of 2.0 FTE. Of this, \$172,778 is for the Department of Regulatory Agencies to be reappropriated to the Department of Human Services with 2.0 FTE, and \$74,887 is for the Department of Revenue of which \$1,200 is reappropriated to the Department of Personnel and Administration. The bill includes an appropriation of \$172,778 for the Department of Regulatory Agencies but does not include an appropriation for the Department of Revenue. The fiscal note assumes this will be addressed during the annual budget process.

State and Local Government Contacts

Joint Budget Committee
Information Technology
Regulatory Agencies

Human Services
Personnel and Administration
Revenue