



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 1789

PRINTER'S NO: 2320

PRIME SPONSOR: Solobay

As amended by A05430

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	\$0	See Analysis
Revenue Increase/(Decrease):		
Wireless E-911 Emergency Services Fund	\$0	\$5,500,000

OVERVIEW:

House Bill 1789, as amended by amendment A05430, amends Act 78 of 1990 by imposing a 911 surcharge on each purchase of a prepaid wireless phone or phone card to be collected by the vendor at the point of sale.

Existing law states that each wireless service customer (including prepaid customers) shall pay a \$1 surcharge to support the 911 service network in the Commonwealth. Currently, prepaid wireless providers collect the \$1 surcharge by either estimating the number of prepaid customers per month and remitting the monies themselves, or by deducting the surcharge each month, if sufficient balance exists in their account. These methods, however, do not properly capture all of the prepaid market, and therefore some users do not pay the 911 surcharge.

Under the bill, the seller of a prepaid wireless phone or a prepaid phone card with additional minutes will collect \$1 per transaction fee from the customer at the time of the sale and remit it to the Department of Revenue. During a 180 day start-up period, 25% of the surcharge may be retained by the Department for initial costs. Similarly, the vendor remitting the tax may retain 25% of the surcharge for its set-up expenses. Afterwards, the Department may deduct an amount not to exceed 2% of the surcharges to administrative costs incurred by the Department. The vendor may deduct 3% to cover its costs. The remainder of the surcharge will be deposited into the E-911 Wireless Fund. Under existing law, the Pennsylvania Emergency Management Agency (PEMA) also retains 2% of the surcharges placed into the fund to use for its administrative costs.

The bill would take effect October 1, 2010.

ANALYSIS:

The effective date of October 1, 2010 will preclude any fiscal impact in FY 2009/10. PEMA estimates that with the changes to House Bill 1789, total prepaid 911 surcharges will total \$20.89 million in FY 2010/11. This is an increase of approximately \$11.3 million compared to estimated collections without any changes. After subtracting the vendor and Department of Revenue start-up allowances over the first 6 months the Wireless E-911 Emergency Services Fund would receive approximately \$5.5 million in new revenues in FY 2010/11.

The Department of Revenue has indicated that the retained amounts, both during the start up period and afterwards, will be sufficient to cover its expenses, with no additional cost to the General Fund. In the following full years of operation, the E-911 Fund is expected to receive over \$12 million in new funds annually.

PREPARED BY: Eric Dice, Budget Analyst
House Appropriations Committee, (D)

DATE: January 25, 2010

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*