

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 939 (2nd Edition)

SHORT TITLE: Extend TRS Surcharge to Wireless Connections

SPONSOR(S): Senator Kerr

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$ Millions)				
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund	* No General Fund Impact *				
TRS/DHHS	1.91	4.71	4.85	4.99	5.15
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services.					
EFFECTIVE DATE: January 1, 2004.					

BILL SUMMARY: The bill extends the telecommunications relay service (TRS) charge currently levied on landlines to wireless communication devices.

ASSUMPTIONS AND METHODOLOGY:

REVENUES: Currently wired telephone customers pay a monthly surcharge on their telephone bill to fund a statewide telecommunications relay service (TRS) by which hearing-impaired persons, including those who also have vision impairment, may communicate with others by telephone. The statute caps this charge at 25 cents per month, although they are currently charging a rate of 11 cents per month.

According to the Department of Health and Human Services (DHHS), the 11-cent charge on landlines generated \$4,444,243.86 in 2001-02. During that same period, the program had cash disbursements of \$4,662,235.94, drawing down their fund balance to \$551,912.01.

Officials from the NC Wireless Board indicate a 2003-04 estimated number of wireless devices that would be subject to the surcharge at 3.5 million. Levying an 11cent per unit charge per month on these units, would yield approximately \$4.62 million in new revenues from wireless customers. However, because the charge is not effective until January 1, 2004, actual 2003-04 revenues will be approximately \$1.925 million. Using the 3% growth rate offered by staff of the NC Wireless Board suggests the following revenue stream:

Fiscal Year	Charge	Net to program after provider administrative fee
2003-04	1,925,000	1,905,750
2004-05	4,758,600	4,711,014
2005-06	4,901,358	4,852,344
2006-07	5,048,399	4,997,915
2007-08	5,199,851	5,147,852

As the estimate suggests, the wireless carriers can retain a 1% administrative fee. The estimate also assumes that the fee will remain at 11 cents per month over the course of five years, although the legislation allows a review of the rate after January 1, 2005.

EXPENDITURES: There are two classes of expenditures related to this bill. First is the cost of collecting the surcharge on wireless customers. According to both DHHS and the E-911 Wireless Board, it is their intention to have the surcharge collected by the state's 911 Wireless Board in conjunction with their current surcharge collection efforts. Representatives of the Wireless Board indicate that the Board will be able to collect the TRS surcharge at no additional cost, so there is no fiscal cost associated with the collection of the wireless TRS surcharge.

The second set of expenditure issues relates to how DHHS plans to use the revenues from the extended surcharge. The Department believes they will have a number of costs to consider. First, the primary TRS piece is provided under a multiyear contract with one of the major telecommunications companies at a cost of \$4.5 million. That contract will expire in 2004 and will require renegotiation. As a result, there is a potential the cost of this portion of the program could increase. In addition, the Department plans to expand the service to a greater number of individuals who are eligible for the program, but are not yet covered due to cost constraints. The Department, in response to comments from both the state Emergency Management program and the Federal Emergency Management Administration (FEMA), plans to develop an emergency warning program for the deaf and hard of hearing. (Such a program does not currently exist). The Department believes there is a possibility that the federal government may no longer cover the cost of Internet based telecommunication equipment for the deaf and hard of hearing. It is their desire that if this federal funding were terminated the state would be able to help provide these services. Finally, the Department would like to be able to maintain a fund balance that is in line with the requirements of G.S. 62-157.

SOURCES OF DATA: Department of Health and Human Services and the E-911 Wireless Board.

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