



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date Introduced:	02/26/09	Bill No:	AB 912
Tax:	Emergency Telephone Users Surcharge	Author:	Torres
Related Bills:	AB 910 (De La Torre)		

This analysis will only address the bill's provisions which impact the State Board of Equalization (Board).

BILL SUMMARY

This bill would increase the statutory cap on the Emergency Telephone Users (911) Surcharge rate from 0.75 percent to 1 percent.

ANALYSIS

CURRENT LAW

Under the existing 911 Surcharge Act, a surcharge is imposed on amounts paid by every person in the state for intrastate telephone communication services. Revenue and Taxation Code Section 41030 requires the Department of General Services (DGS) to annually determine, on or before October 1, a surcharge rate that it estimates will produce sufficient revenue to fund the current fiscal year's 911 costs. The surcharge rate determined by the DGS will apply for the period of January 1 to December 31 of the next succeeding calendar year once the determined rate is fixed (approved) by the Board, per Section 41031. The surcharge rate in any year cannot be less than 0.50 percent or greater than 0.75 percent.

The current surcharge rate is 0.50 percent of the amounts paid for intrastate telephone services in this state. The surcharge is paid to the Board and deposited in the State Treasury to the credit of the State Emergency Telephone Number Account (Account) in the General Fund. The funds in this account are used to pay for the costs of administration of the 911 emergency telephone number system.

PROPOSED LAW

This bill would amend Section 41030 to increase the statutory cap on the 911 surcharge rate from 0.75 percent to 1 percent. Any additional revenues as a result of a rate increase, as determined by the DGS and fixed by the Board, would be deposited in the Account as provided under current law.

This bill would also amend Section 41136 to allow for a maximum of 25 percent of the funds in the Account to be spent by the Office of Emergency Services to pay Primary Public Safety Answering Points, which accept wireless enhanced 911 calls from within their jurisdiction.

These provisions would become effective immediately, but the operative date of any rate increase would not occur unless and until DGS increases the rate when making its annual surcharge rate determination, as specified in Section 41030, to be effective January 1 of the following calendar year.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position

IN GENERAL

In 1976, AB 416 (Ch. 443, Warren) enacted the 911 Surcharge Act. As enacted, Section 41030 read:

"Following approval of the Budget Act each year, beginning with the Budget Act for the 1982-83 fiscal year, the board shall determine, on the basis of expenditures authorized in the Budget Act to be made from the State Emergency Telephone Number Account in the General Fund and its estimate of the charges for intrastate telephone communications services to which the surcharge will apply, a surcharge rate that it estimates will produce sufficient revenues to fund the expenditures authorized. Such rate shall not exceed three-quarters of 1 percent."

In 1980, AB 3022 (Ch. 1035, Mon) substituted the language in Section 41030 with what is now existing law, except for those amendments made by AB 1748 (Stats. 2007, Ch. 342, Committee on Revenue and Taxation). The AB 1748 amendments changed the effective date and time period for the imposition of a newly determined surcharge rate to be January 1 to December 31 of the next succeeding calendar year. The amendments also allow the DGS an additional 30 days to determine the annual surcharge rate and provide the Board an additional two months to publish and notify taxpayers of the new surcharge rate. The most recent change to Section 41030 was made last year by SB 1040 (Kehoe, Ch. 17), which factored in the estimated charges for Voice over Internet Protocol to which the surcharge will apply, which DGS then uses to determine the surcharge rate.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and is intended to help ensure that the California Highway Patrol and other local Public Safety Answering Points can meet the 10 second answering guideline recommended by the National Emergency Number Association and keep pace with the safety needs of an increasingly mobile society.
2. **This bill does not increase the surcharge.** This bill simply increases the statutory cap on the 911 surcharge from 0.75 percent to 1 percent. In order to increase the 911 surcharge rate after enactment, a new rate would have to be determined by the DGS in an "amount it estimates will produce sufficient revenue to fund the current fiscal year's 911 costs" to be effective January 1 of the following calendar year.
3. **This bill could increase revenues deposited into the State Emergency Telephone Number Account.** Current law provides under Section 41136 that revenue from the 911 surcharge shall, after payment of refunds and administrative costs, be deposited in the Account. Accordingly, any additional revenue generated due to an increase in the 911 surcharge rate would be deposited in the Account.
4. **Board staff does not foresee any administrative problems with this bill.** Increasing the current statutory cap for the 911 surcharge would not be problematic for the Board.
5. **Related legislation.** AB 910 (De La Torre) defines "prepaid communications service" in the Emergency Telephone Users Surcharge Law.

COST ESTIMATE

This bill would not increase administrative costs to the Board because it only increases the statutory cap of the 911 surcharge rate. However, the Board would incur some administrative costs if the rate of the 911 surcharge is increased. These administrative costs would include informing the service suppliers, reprogramming, revising returns, and answering inquiries from the public. A cost estimate of this workload is pending; however, it is estimated these costs would be insignificant (under \$10,000).

REVENUE ESTIMATE

BACKGROUND, METHODOLOGY, AND ASSUMPTIONS

The Board’s internal records indicate that in fiscal year 2007-08, 911 surcharge revenues were \$103.7 million. At the current minimum surcharge rate of 0.50%, estimated charges for long distance services for the fiscal year were \$20.7 billion.

Using this figure of \$20.7 billion for estimated charges for long distance services, if the maximum surcharge rate of 0.75% was used in FY 2007-08, estimated revenues for the surcharge would have been \$155.3 million

If the maximum surcharge rate used in FY 2007-08 was 1%, the estimated revenues would have been \$207 million.

REVENUE SUMMARY

The following chart depicts an order of magnitude for revenues at different surcharge rates:

<u>Surcharge Revenues</u>			
	FY	Tax Rate	Surcharge Revenue
Actual	2007-08	0.50%	\$103,700,000
Current Maximum	2007-08	0.75%	\$155,300,000
Proposal	2007-08	1.00%	\$207,000,000

Analysis prepared by:	John Cortez	445-6662	04/03/09
Revenue estimate by	Patrick Alessandri	445-0840	
Contact:	Margaret S. Shedd	322-2376	
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