SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0277 As signed by the Governor on May 25, 2016
Author:	Alexander
Subject:	Telecom Equity in Funding Act
Requestor:	Senate
RFA Analyst(s):	Dunbar and Wren
Impact Date:	August 11, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	$0	$0
Other and Federal	($650)	$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$0	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
The bill as amended would have no expenditure impact on the General Fund or Federal Funds. The bill would have a $650 cost savings to Other Funds. The bill as amended would have no revenue impact on the General Fund, Federal Funds, or Other Funds.

Explanation of Fiscal Impact

Explanation of Amendment by the House of Representatives on May 4, 2016
State Expenditure
The bill as amended adds CMRS providers, VOIP providers, and prepaid wireless sellers to the types of telecommunications providers that must collect the dual party relay charge from their customers. These providers are required to remit their collections, less a prescribed percentage allowed them for collection activities, to the Department of Revenue (DOR), which must transfer the funds to the statewide program's operating fund. The amount of the dual relay charge is established by the Public Service Commission (PSC), and pursuant to this legislation, may not exceed ten cents. For telecommunications providers, the charge is applied to each connection from a particular telephone subscriber's premises to their service supplier's telephone system. For prepaid wireless sellers, the charge is applied to each retail transaction. Before this bill, the charge was limited to not more than twenty-five cents a month for each regulated landline from a residence and business to their telephone supplier's system. The amended bill also merges the Interim Local Exchange Carrier (LEC) Fund into the State Universal Service Fund (USF) and essentially caps the State USF at the level of disbursements to providers from the two funds combined during 2015. In addition, persons and entities that sell prepaid wireless telecommunications service must contribute to the USF. The Office of Regulatory Staff (ORS)

is required to set the contribution amount for prepaid wireless sellers each year as a fixed per-transaction fee for each point of sale transaction. Similarly, as required by PSC order, wireless carriers are required to contribute to the State USF based on reported revenues and remit to DOR. Sellers of prepaid wireless telecommunications service must collect their contribution from consumers and remit the sum, less an administrative fee, to DOR. DOR is required to transfer the collections, less an amount equal to DOR's actual incremental increase in administrative cost, to the State USF.

Office of Regulatory Staff. The department indicates that they would see a $650 cost savings related to supplies and postage necessary to send requests for information to companies to recalculate the Interim Local Exchange Carrier Fund size annually and the cost to send Interim Local Exchange Carrier Fund invoices on a monthly basis. Additionally, because this legislation requires that new types of providers pay into the fund, regulatory activities in this area may increase over time. However, the potential long term costs are undetermined.

Public Service Commission. The department indicates that this bill would have no impact on the General Fund, Federal Funds, or Other Funds.

Department of Revenue. The department indicates that this bill would have no impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

The bill as amended adds CMRS providers, VOIP providers, and prepaid wireless sellers to the types of telecommunications providers that must collect the dual party relay charge from their customers. The amount of the dual party relay charge is established by the Public Service Commission, and pursuant to this legislation, may not exceed ten cents. Before this bill, the charge was limited to not more than twenty-five cents per month. These providers are required to remit their collections, less a prescribed percentage allowed them for collection activities, to the Department of Revenue, which must transfer the funds to the statewide program's operating fund. The amended bill also merges the Interim Local Exchange Carrier Fund into the State Universal Service Fund (USF) and essentially caps the State USF at the level of disbursements to providers from the two funds combined during 2015. The revenue impact of the bill as amended is unchanged from the bill as filed on January 13, 2015.

Local Expenditure

The local expenditure impact of the bill as amended is unchanged from the bill as filed on January 13, 2015.

Local Revenue

N/A

Explanation of Bill Filed on January 13, 2015

State Expenditure

This bill enacts the State Telecom Equity in Funding Act. New §58-9-2535 provides for the manner to assess and collect dual party relay charges by local telephone exchanges (LEC), commercial mobile radio services (CMRS), voice over internet protocol (VoIP) service providers, and prepaid wireless telecom providers for use in supporting the Dual Party Relay

System (DPR), a means for hearing and speech impaired people to communicate by telephone relay. It amends §58-9-2530(A) so as to cap the monthly relay charge at $0.10 per line, whereas the current cap is $0.25. Further, the actual charge set by the Public Service Commission must be uniform for applicable service providers in relation to DPR system funding needs. Also, §58-9-280 is amended, which provides for the transition of the Interim Local Exchange Carrier Fund into the Universal Service Fund (USF), and otherwise limits the size of the Universal Service Fund.

Judicial Department. This bill clarifies the jurisdiction of the Public Service Commission over certain providers regarding telephone service for the hearing and speech impaired. The Judicial Department does not anticipate that this bill will have any impact on the Judicial Department General Fund, Federal Funds, or Other Funds.

Office of Regulatory Staff. The Office of Regulatory Staff reports this bill will create a $650 cost savings to Federal and Other Funds. The cost savings relate to supplies and postage necessary to send requests for information to companies to recalculate the Interim LEC Fund size annually and the cost to send Interim LEC Fund invoices on a monthly basis.

Public Service Commission. The Public Service Commission reports this bill will have no impact on the General Fund, Federal Funds, or Other Funds.

Department of Revenue. The Department of Revenue reports this bill will have a minimal impact to adjust forms and instructions. This impact can be absorbed by the agency.

State Revenue

New §58-9-2535 in Section 3 of the bill provides for the manner to assess and collect dual party relay charges to support the DPR as expanded to include LECs, CMRSs, VoIPs and prepaid wireless providers. The bill also amends §58-9-2530(A) in Section 8 so as to cap the monthly relay charge at $0.10 per line across those providers, whereas the current cap is $0.25. The Office of Regulatory Staff (ORS) reported $4.2 million from dual party fees as restricted funds in FY 2013-14. The cost per line varies depending on total lines actually put in use, and a review by ORS estimates funding in FY 2015-16 could possibly be met with a cost of $0.06 to $0.07 per line. Because the fee is set only as high as necessary to generate revenue sufficient to fund ongoing DPR system operations, there would be no change in the total revenue generated from dual party relay fees in FY 2015-16.

Also, §58-9-280 is amended in Section 5A, to merge the Interim Local Exchange Carrier Fund into the Universal Service Fund (USF), to expand the universe of contributing providers, and to change language to limit the size of the USF to include adjustments for those LECs taking the election in §58-9-576(C) regarding certain alternative rates and terms of regulation. Thus, the number of providers contributing to the USF would increase, yet the contribution per provider would be proportionately less. As the funding level is determined by the commission, these amendments would not change the total revenue generated for agency earmarked funds from provider contributions to the USF in FY 2015-16. Therefore, the bill is not expected to impact state revenues.

Local Expenditure
The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and thirteen county governments regarding the impact of this bill. The Municipal Association reports this bill will have no expenditure impact on municipal governments. There were no responses from county governments regarding the expenditure impact of this bill.

Local Revenue
N/A

Frank A. Rainwater

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