

SB 103

Department of Fiscal Services

Maryland General Assembly

**FISCAL NOTE
Revised**

Senate Bill 103 (Chairman, Finance Committee)
(Departmental - General Services)

Finance

Referred to Environmental Matters

Telecommunications Devices for Disabled Individuals

This amended departmental bill allows the Equipment Distribution Program to be paid for through the Universal Service Trust Fund (USTF). This program assists eligible participants with disabilities to purchase specialized communications equipment.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: Special fund expenditures will increase by \$173,800 in FY 1997. Out-year expenditures are higher due to inflation and increased equipment distribution; special fund revenues will increase beginning in FY 1998 due to a surcharge adjustment to pay the costs of the program.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	0	359,500	367,500	375,700	267,300
SF Expenditures	173,800	359,500	367,500	375,700	267,300
Net Effect	(\$173,800)	\$0	\$0	\$0	\$0

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: The Department of General Services (DGS) has determined that this bill has no meaningful impact on small business (attached). Fiscal Services agrees with this assessment as discussed below.

Fiscal Analysis

Background: The Equipment Distribution Program was created in 1991 but has not been

funded. This legislation allows the program to be funded through the Universal Service Trust Fund (USTF), which currently pays for the Maryland Relay Service. The USTF collects fees through a surcharge on individuals' phone bills; this surcharge was recently reduced in July from \$.15 per month to \$.12 per month (which should generate a little over \$4 million in fiscal 1996). DGS reports that the current surcharge does not fully meet the costs of the Relay Service, but has been set with the intentional purpose of reducing an existing surplus in the fund. The balance in the fund as of November 30, 1995 was \$3,268,500. This balance has been reduced by approximately \$1 million per year for the past several years, but is estimated to total only \$650,000 by next December.

State Effect: Special fund expenditures could increase by an estimated \$173,776 in fiscal 1997, which reflects a 90-day start-up delay. This estimate reflects the cost of hiring an Administrator III to initiate and oversee the program. It includes salaries of \$27,668, fringe benefits, one-time start-up costs, equipment costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- 1.95% of qualified public assistance recipients participate in this program, which would yield 6,300 total recipients.
- Participants, depending upon the nature of their disability, could receive one of seven forms of equipment, which range in cost from \$35 to \$5,500 each.
- 10% of the equipment is distributed in the first year.

Salaries and Fringe Benefits	\$36,294
Equipment Costs (for distribution)	118,938
Additional Office Equipment	12,416
Other Operating Expenses	<u>6,128</u>
Total FY 1997 State Expenditures	\$173,776

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; (2) 2% annual increases in ongoing operating expenses; and (3) 10% equipment distribution in the first year, 25% distribution in the next three years, and 15% distribution in the fifth and following years.

DGS anticipates paying for this program through the surplus in the USTF. However, this surplus is currently being used to partially fund the Relay Service, as discussed above. It is assumed here that the surplus will be nonexistent in fiscal 1998, or that it will be used solely to offset the costs of the Relay Service. The surcharge amount would presumably then be adjusted to reflect the cost of the Equipment Distribution Program. Assuming that the

Equipment Distribution Program costs \$359,500 in fiscal 1998, this will translate into a surcharge increase of \$0.010 per month per line (assuming 2.8 million lines). In addition, using the surplus to initially fund this program will hasten its depletion, prompting an adjustment in the surcharge needed to fund the Relay Service sooner than originally projected.

Small Business Effect: DGS reports that this legislation will not affect small businesses, except to the extent that small businesses which produce the equipment to be distributed through this program could benefit. However, any increase in the USTF surcharge would also affect small businesses. As discussed above, the surcharge would be increased by approximately \$0.010 per month per line in FY 1998 and beyond. This represents a minimal cost to these businesses. (If small businesses are attached to a Centrix system, the surcharge would increase by \$0.010 per month for every 6.5 lines; for a PBX system the increase would be based on the number of trunk lines.)

Information Source(s): Department of General Services, Department of Fiscal Services

Fiscal Note History: First Reader - January 18, 1996

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