

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 727 (Delegates McIntosh and Wood)
 Commerce and Government Matters

Emergency Telephone System - Wireless Enhanced 911 Service

This bill expands the membership of the Emergency Number Systems Board, establishes a Wireless Enhanced 911 Committee, and provides a cost recovery mechanism for wireless enhanced 911 services. The bill provides that the 911 fee and the additional charge will be imposed on each telephone number, and that the 911 fee for wireless service will be 35 cents.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: Increase in special fund (911 Trust Fund) revenues and expenditures of \$9.4 million in FY 2003 growing to \$12.3 million in FY 2007.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$9,414,600	\$10,073,600	\$10,778,800	\$11,533,300	\$12,340,600
SF Expenditure	9,414,600	10,073,600	10,778,800	11,533,300	12,340,600
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Increase in reimbursements to local governments for 911 operating expenses of \$8.8 million in FY 2003.

Small Business Effect: Minimal.

Analysis

Current Law: The Emergency Number Systems Board has 13 members representing telephone and wireless companies, emergency service agencies, and police and fire services.

Each month every telephone account with a provider, both land-based (wireline) and wireless, pays a 10 cent 911 fee and an additional charge of up to 50 cents.

A county may apply to the Emergency Number Systems Board for reimbursement of one-time (nonrecurring) expenditures for an enhancement to the 911 system from the revenue attributed to the 911 fee, which is placed in the 911 Trust Fund. The 911 Trust Fund may also be used for payments to a third party, such as a provider, on behalf of a county for reimbursement of a nonrecurring expense.

The additional charge (up to 50 cents) is imposed by each county and is distributed back to the county to help defray the operating costs of the 911 system. Currently, only Baltimore City and Calvert and Queen Anne's counties have an additional charge that is lower than the 50 cent cap.

The basis for the 911 fee and the additional charge for both land-based and wireless service is the account with the provider. Consequently, accounts with more than one telephone number, which is the case for many businesses, will pay the 911 fee and additional charge only once for the account.

The Emergency Number Systems Board is responsible for establishing criteria for a request for the reimbursement of costs for enhancing a 911 system by any county or counties, and the procedures to review and approve or disapprove the request. The definition of enhanced 911 includes "other future technological advancements that the board may require." It is not clear whether or not current law includes cost recovery for wireless enhanced 911 service.

Bill Summary: The bill expands the membership of the Emergency Number Systems Board from 13 to 15 by adding a member representing a county with a population of 200,000 or more, and a member representing a county with a population of less than 200,000.

The bill expands the board's responsibilities to include approving cost estimates and payments to commercial mobile radio service (CMRS) providers for nonrecurring and recurring costs, approving an implementation plan for wireless enhanced 911 service, and issuing requests for wireless enhanced 911 service to CMRS providers. The board

requests for wireless enhanced 911 service must be according to the implementation plan and meet requirements for compatibility of the calling and delivery systems for wireless enhanced 911 service.

The bill establishes a Wireless Enhanced 911 Committee composed of five members of the Emergency Number Systems Board. The committee is to develop an implementation plan for deployment of wireless enhanced 911 service, make recommendations to the board on annual cost estimates (for recurring and nonrecurring costs) submitted by CMRS providers; and conduct annual audits of approved annual cost estimates. The Department of Public Safety and Correctional Services must provide staff support for the committee, including a coordinator position responsible for daily operations funded as an administrative cost to the 911 Trust Fund.

To permit cost recovery by CMRS providers of wireless enhanced 911 service, the bill requires each CMRS provider to submit to the committee an estimate of the costs of deploying wireless enhanced 911 for board approval of the cost recovery amount. The cost estimate is for both recurring and nonrecurring expenses. A recommendation by the committee to reject an estimated cost must include the reasons for the rejection in writing. Except as otherwise required by law, at the request of the CMRS provider the information reported to the committee and board will be considered confidential, privileged, and proprietary.

Under the bill's provisions, the 911 Trust Fund will be used for reimbursement of nonrecurring expenditures for 911 enhancements by counties, third party contractors on behalf of counties, and CMRS providers, and for recurring costs of CMRS providers of wireless enhanced 911 service.

The bill expands the base for the 911 fee and the additional charge by converting the basis for the fee and additional charge from the provider account to the telephone number. In addition the bill sets the 911 fee for wireless service at 35 cents while maintaining a 10 cent fee for land-based (wire line) service.

Background: The Federal Communications Commission (FCC) is implementing the capabilities for wireless enhanced 911 service in three phases. Phase 0 required wireless carriers to transmit 911 calls to a Public Safety Answering Point (PSAP). In Phase I, the carriers must be able to deliver to the emergency dispatcher the telephone number originating the 911 call and the location of the cell site or base location receiving the 911 call. This would provide a rough location of the caller. Wireless carriers are to complete Phase I by April 1, 1998 or within six months of a request from a PSAP. In Phase II, the carriers must deliver Automatic Location Identifier (ALI) information that provides longitude and latitude location information. The requirement that the carrier be able to provide the information is conditional upon the carrier receiving a request for the service

from a public safety answering point capable of receiving and utilizing the information. Most carriers have been granted an extension for Phase II until December 31, 2005. Originally, the FCC had a condition that a mechanism for cost recovery be in place before a carrier must provide the information. According to an FCC memorandum opinion and order of November 2000, the FCC eliminated this condition after concluding that it was unnecessary and a potentially significant impediment to Phase I, and potentially to Phase II. In eliminating this condition the FCC did not intend to disturb existing cost recovery mechanisms or discourage the development of new cost recovery mechanisms.

The Budget Reconciliation Act of 2002 (SB 323/HB 424) contains a provision to transfer \$5.0 million in fiscal 2002 from the 911 Trust Fund to the general fund. Information provided by the Emergency Number Systems Board shows that all the funds available in fiscal 2002 have either been distributed by grants or are encumbered for approved grants. Any transfer from the 911 Trust Fund would have to be made from the encumbered grant monies.

State Fiscal Effect: Significant increase in revenues for the 911 Trust Fund based on the change in base for the 911 fee and the higher fee for wireless telephone numbers. The increase in the base for the 911 fee (assumed to be 33%) and the higher fee for wireless service results in an increase in special fund revenues (911 Trust Fund) of \$9.4 million in fiscal 2003 growing to \$12.3 million in fiscal 2007.

Special fund expenditures (911 Trust Fund) could increase by an estimated \$109,500 in fiscal 2003, which accounts for a 90-day start-up delay. This estimate reflects the cost of three new positions: (1) an administrator to serve as a coordinator for the new board as required under the bill; (2) an office secretary to provide clerical support to the new committee and the board; and (3) an accountant to provide review assistance and audits of cost estimates from CMRS providers. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Salaries and Fringe Benefits	\$97,300
Start-up and Operating Expenses	<u>12,200</u>
Total FY 2003 State Expenditures	\$109,500

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Special fund expenditures (911 Trust Fund) would also increase to provide reimbursement for nonrecurring costs of 911 system enhancements to local governments and third party contractors on behalf of local governments, and recurring costs of CMRS

providers for wireless enhanced 911 service. It is assumed that the increase in 911 Trust Fund revenues above expenditures, or \$9.3 million would be distributed to local governments or CMRS providers as grants for nonrecurring 911 service enhancements or to CMRS providers as grants for recurring expenditures associated with wireless enhanced 911 service.

Local Fiscal Effect: In addition to any potential grants from the trust fund, local government special fund revenues attributable to the additional charge would increase by \$8.8 million in fiscal 2003 for local government 911 operating expenses, growing to \$11.5 million in fiscal 2007.

Additional Comments: The January 2001 Audit Report of the Office of Legislative Audits found that the Emergency Number Systems Board did not have procedures to ensure that: (1) all telephone providers remitted the proper amount of 911 collections; (2) annual audits of subdivision expenditures for 911 systems were conducted; and (3) collections were properly controlled and deposited in a timely manner.

Additional Information

Prior Introductions: None.

Cross File: SB 768 (Senators Astle and Bromwell) – Finance.

Information Source(s): Montgomery County, Prince George's County, Garrett County, Baltimore County, Anne Arundel County, Public Service Commission, Department of Public Safety and Correctional Services, Department of Legislative Services

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