

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 780

(Delegate McIntosh, *et al.*)

Health and Government Operations

Finance

Emergency Telephone System - Wireless Enhanced 911 Service

This bill requires the establishment of “wireless enhanced 911 service” in the State.

Fiscal Summary

State Effect: Emergency Number Systems Trust Fund revenues and expenditures would increase by \$4.46 million in FY 2004, and by \$7.65 million annually thereafter.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$4,460,000	\$7,650,000	\$7,650,000	\$7,650,000	\$7,650,000
SF Expenditure	4,460,000	7,650,000	7,650,000	7,650,000	7,650,000
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local revenues from the allowable local 911 fee could increase statewide by about \$9.75 million in FY 2004, and by about \$13 million annually thereafter. General fund expenditures for 911 call taking functions could be supplanted by expenditures from the increased fee revenue. All costs associated with wireless enhanced 911 service implementation would be borne by the 911 Trust Fund.

Small Business Effect: Minimal.

Analysis

Bill Summary: This bill requires the establishment of “wireless enhanced 911 service” in the State, also known as Phase II. Under the bill, the Emergency Number Systems Board is required to establish, with input from local jurisdictions, guidelines and a plan for the deployment of wireless enhanced 911 service by July 1, 2004. The bill increases the State accessible service subscriber fee from 10 cents per month to 25 cents per month

and increases the maximum additional monthly charge that may be assessed by a county from 50 cents to 75 cents. The board must adopt procedures for auditing surcharge collection and remittance by commercial mobile radio service (CMRS) providers. On request of a CMRS provider, the information that such a provider reports to the board is required to be confidential, privileged, and proprietary.

A county may only use trust fund money to supplement county spending levels for 911 maintenance or operations and may not use trust fund money to supplant such spending. The Department of Public Safety and Correctional Services (DPSCS) is required to provide staff support for the board to handle the increased duties relating to wireless enhanced 911, which must be funded from the 911 Trust Fund as an administrative cost.

For a county without an operational Phase II wireless enhanced 911 system within the time frames established, the board must adopt procedures, to take effect on or after January 1, 2006, to assure that:

- the money collected from the additional charge and distributed to the county shall be expended during the county's fiscal year as follows: (1) for a 911 system in a county or a multicounty area with a population of 100,000 individuals or less, a maximum of 85% may be spent for personnel costs; and (2) for a 911 system in a county or multicounty area with a population of over 100,000 individuals, a maximum of 70% may be spent for personnel costs (a county with an operational Phase II wireless enhanced 911 system is exempt); and
- the total amount collected from the 911 fee and the additional charge shall be expended only for the installation, enhancement, maintenance, and operation of a county or multicounty system.

The bill also increases, from 13 to 15, the membership of the board by reducing the members of the board representing the public from three to two and adding one representative of a county with a population of 200,000 or more, one representative of a county with a population of less than 200,000, and one representative of the Maryland Chapter of the National Emergency Numbers Association. The bill provides that the terms of the new board members representing counties must expire in 2007.

The bill requires DPSCS to report to the General Assembly by December 1, 2007 as to the status of wireless enhanced 911 deployment and whether any adjustments to the subscriber fee should be made. The bill requires the board to report to the General Assembly by December 1, 2003 on the availability of federal funds under Homeland Security measures. The report must also include detail, as specified, relating to the collection and accounting of 911 fees and additional charges authorized under State law.

In addition, the bill provides that, if the Budget Reconciliation and Financing Act of 2003 (BRFA) transfers monies from the 911 Trust Fund, the accessible service subscriber fee

increase provided under this bill is voided. For State operating budgets beginning with fiscal 2005, the Governor is required to provide a plan for replacement of any monies transferred from the 911 Trust Fund under any BRFA (or by any other means) that would result in the use of the monies for a purpose other than the original intended use.

Current Law: The Emergency Number Systems Board has 13 members representing telephone and wireless companies, emergency service agencies, and police and fire services. The board is charged with stewardship of the 911 Trust Fund and the auditing of the 911 operating expenses of the State's 24 public safety answering points (PSAPs) – one in Baltimore City and one each in Maryland's 23 counties.

Each month every telephone account with a provider, both land-based (wireline) and wireless, pays a 10 cent 911 fee and an additional local 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 revenues 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, 22 jurisdictions are charging the full 50 cents.

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.

Background: DPSCS has previously estimated the cost for statewide wireless enhanced 911 service implementation at about \$38 million over three years – including normal upgrades and upgrades needed to increase location technology to integrate PSAPs with available mapping systems.

In most counties, local revenues from the local assessment (currently capped at 50 cents) cover only about one-third of costs. The balance is covered by local general funds.

The board currently assumes the costs associated with independent audits of county 911 revenues and expenditures.

There are approximately 4 million wireline telephone numbers in the State and about 2.3 million wireless numbers (cell phones).

All current fee collections for wireline or wireless telephone use are collected by providers and paid to the Comptroller who then deposits such revenue to the trust fund. Under this bill, such a collection system would remain the same.

State Fiscal Effect: Increasing the State accessible service subscriber fee from 10 cents per month to 25 cents per month is expected to increase trust fund revenues from \$5.1 million to \$9.56 million in fiscal 2004, and to \$12.75 million annually thereafter. This increase is based largely on an assumption that each 1 cent increase in the monthly fee will generate about \$500,000 annually. The increase in revenues allows the total estimated costs of wireless enhanced 911 service implementation (\$38 million) to be covered by this fee after three to five years. Accordingly, trust fund expenditures are expected to increase by about \$38 million over this same period. Any additional interest earned on the additional revenues would be returned to the local jurisdictions proportionally based upon customer counts.

The bill's provisions making the fee increase contingent on monies not being transferred out of the trust fund and requiring the Governor to provide a repayment plan for any current, past, or future transfers of monies from the trust fund have no effect because BRFA did not transfer any monies from the trust fund. To the extent that such a plan is later adopted in a future fiscal year, trust fund revenues and expenditures would increase in an amount equal to the repayment amount.

While the bill does not specify who would bear the costs of audits of wireless vendors, it is assumed that such costs would be borne by the board with existing available resources.

The bill's modification of the makeup of the board will have no fiscal or operational impact on the board. The bill's reporting requirements for DPSCS and the board can be handled with existing budgeted resources.

Local Fiscal Effect: Increasing the State accessible service subscriber fee (as discussed above) would allow for complete coverage of wireless enhanced 911 service costs for Baltimore City and the counties (\$38 million) out of trust fund resources.

Currently, only two jurisdictions do not charge the full allowable local fee of 50 cents: Baltimore City (47 cents) and Calvert County (40 cents). Assuming that all 24 jurisdictions would elect to increase local fees to the new 75 cent cap allowed under this bill, local statewide revenues from this fee would increase from about \$26 million to \$39 million annually. This represents a \$9.75 million increase in annual fee revenues in fiscal

2004, due to the bill's October 1, 2003 effective date, and a \$13 million annual increase thereafter. It is assumed that the additional revenues would allow PSAP local costs to be defrayed above the current average of one-third, statewide. The board anticipates that cost recovery at the local level would increase to 50% under this bill. As a point of reference, Baltimore City reports that its police department's anticipated technology implementation costs for wireless enhanced 911 service will be about \$500,000. These costs for other jurisdictions are likely to be between \$200,000 and \$300,000.

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. No action has been taken by the board on these findings.

Additional Information

Prior Introductions: Bills with similar but not identical provisions were introduced in 2002. SB 768 received an unfavorable report from the Senate Finance Committee, and HB 727 had a hearing before the House Commerce and Government Matters Committee and had no further action taken on it.

Cross File: SB 639 (Senator Astle) – Finance.

Information Source(s): Department of Public Safety and Correctional Services (Emergency Number Systems Board), Department of Legislative Services

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