

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 244 (Delegate Stern, *et al.*)
 Health and Government Operations

Public Safety - 9-1-1 Emergency Telephone System - Enhanced Wireless 9-1-1 Services

This bill requires the upgrade of county 911 systems to “Enhanced Wireless 911 Services” by December 31, 2005. The bill is effective July 1, 2003.

Fiscal Summary

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

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$7,650,000	\$7,650,000	\$7,650,000	\$7,650,000	\$7,650,000
SF Expenditure	7,650,000	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: Increasing the State accessible service subscriber fee would allow for coverage of Phase II costs for Baltimore City and the counties (\$38 million) out of trust fund resources in five to six years time.

Small Business Effect: Minimal.

Analysis

Bill Summary: This bill requires each county’s 911 system to provide “Enhanced Wireless 911 Services” by December 31, 2005. The bill requires the Emergency Number

Systems Board to prepare an implementation schedule to upgrade each county's 911 system.

The 911 Trust Fund is authorized to reimburse counties for the costs of the upgrades. The bill increases the State accessible service subscriber fee from 10 cents per month to 25 cents per month. The bill requires that 60% of the revenues collected via the monthly fee be used for the costs of the upgrades. The bill includes the costs of upgrades among the enhancement costs for which the Secretary of Public Safety and Correctional Services must request an annual appropriation from the 911 Trust Fund. The bill includes the costs of upgrades among the annual reimbursements the Comptroller must make to counties from the 911 Trust Fund for system enhancements.

The bill's provisions are effective July 1, 2003. Provisions dedicating 60% of fee collections to enhanced wireless 911 services terminate after June 30, 2007.

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 auditing 911 operating expenses of the State's 24 public safety answering points (PSAP) – 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 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 are 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 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: The Department of Public Safety and Correctional Services has previously estimated the cost for statewide Phase II implementation at about \$38 million over three years – including normal upgrades and upgrades needed to increase location technology to integrate PSAP’s 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 revenue and expenditures.

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 \$5.10 million to \$12.75 million annually beginning in fiscal 2004 and thereafter. This increase is based largely on an assumption that each one-cent increase in the monthly fee will generate about \$500,000 annually. Under the bill’s provisions, 60% of fee collections must be dedicated for local cost recovery to upgrade to enhanced wireless 911 services, regardless of whether a local jurisdiction has made advancements toward that end. That would mean that beginning in fiscal 2004, about \$7.65 million of trust fund revenues from fee collections would go to cover local upgrade costs statewide until fiscal 2008.

The Department of Legislative Services (DLS) advises that, if the bill’s provisions are interpreted to mean that trust fund spending for such purposes is limited to the 60% share until after fiscal 2007, then \$5.10 million of such revenues per year until fiscal 2008 may not be able to be spent on local 911 Phase II enhancements. In any event, it is also assumed that after June 30, 2007 there would be no constraints on the amount of trust fund revenues that must be dedicated to enhanced wireless 911 services and (because the State subscriber fee increase continues beyond fiscal 2007) increased reimbursements from the trust funds to Baltimore City and the counties would also continue.

Assuming that no local government would use other resources for upgrades to the enhanced service, this revenue increase allows the total estimated costs of Phase II implementation (\$38 million) to be covered by this bill’s fee after five to six years. Any additional interest earned on the additional revenues would be returned to the local jurisdictions proportionally based upon customer counts.

However, DLS also notes that the bill's date specific requirements may adversely affect discretionary planning options based on available funds, available technology, and the actual capacities of PSAPs on those dates. In addition, if the wireless industry is unable to deliver required services, or if trust fund resources are inadequate, the counties and the board may be found to be in violation of these provisions. This could also be true if the Federal Communications Commission alters its requirements for the industry and the State does not alter affected State provisions tied to the deadlines provided under this bill.

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

However, the bill does not change the maximum allowable local fee of 50 cents per month. Currently, only two jurisdictions do not charge the full allowable local fee of 50 cents: Baltimore City (47 cents) and Calvert County (40 cents). Local cost recovery at current rates averages about one-third of total 911 operational costs. Accordingly, under this bill, while conversion to Phase II would be covered out of the State 10-cent subscriber fee revenues, local operational costs would continue at one-third cost recovery levels.

Additional Comments: The Budget Reconciliation and Financing Act of 2003 (SB 657/HB 935) transfers \$5.0 million from the 9-1-1 Trust Fund to the general fund in fiscal 2003. The transfer of funds comes from the State ten-cent portion. As of January 13, 2003, the fund's unencumbered balance is approximately \$5.7 million. There is an issue with complying with the Federal Communications Commission requirement for wireless locator services by 2005.

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: None.

Cross File: None.

Information Source(s): Washington County, Montgomery County, Prince George's County, Kent County, Worcester County, Baltimore City, Department of Public Safety and Correctional Services, Department of Legislative Services

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lc/jr

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