

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**

Senate Bill 639

(Senator Astle)

Finance

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**Emergency Telephone System - Wireless Enhanced 911 Service**

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This bill authorizes the establishment of “wireless enhanced 911 service” in the State. The bill is effective July 1, 2003.

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**Fiscal Summary**

**State Effect:** While this bill would significantly increase 911 Trust Fund revenues, and expenditures for wireless enhanced 911 service (less than \$14.5 million per year), the increase cannot be reliably estimated at this time. Special fund expenditures attributable to additional personnel would total \$70,500 in FY 2004 and grow to \$98,500 by FY 2008 due to annualization and inflation.

**Local Effect:** Increases in reimbursements to local governments for deployment and implementation of wireless enhanced 911 service, statewide, from the 911 Trust Fund. The bill does not change the current 50 cent cap on allowable local fee collections for 911 service.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** This bill authorizes the establishment of “wireless enhanced 911 service” in the State. The bill increases, from 13 to 15, the membership of the Emergency Number Systems Board by adding one representative of a county with a population of 200,000 or more and one representative of a county with a population of

less than 200,000. The bill provides that the terms of the two new board members must expire in 2007.

The bill allows the board to authorize recurring costs and “nonrecurring costs” to commercial mobile radio service (CMRS) providers for expenditures directly related to the deployment and operation of wireless enhanced 911 service.

The board is required to establish guidelines and an implementation schedule for deployment of wireless enhanced 911 service. The board is required to approve, reject, or modify the enhanced service implementation schedule for deployment. The board is required to approve, reject, or modify and review audit of cost estimates submitted by CMRS providers and to make certain adjustments for overpayments or underpayments. The board may audit or require a local exchange carrier or CMRS provider to submit an independent audit of 911 fees, collections, and remittances.

On an annual basis, as determined by the board, CMRS providers are required to submit verified deployment estimates and actual cost information to the board. On request of a CMRS provider, information reported to the board, including cost estimates, is required to be confidential, as specified. 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.

The bill requires that the State accessible service subscriber fee of 10 cents per month per subscriber be modified so that: (1) the fee must be applied to all telephone lines per month, rather than for each monthly telephone bill; (2) a fee may not be imposed on more than 50 business telephone exchange lines, including PBX trunks and Centrex lines, per customer billing account; (3) a 35 cent monthly 911 fee (based on the place of primary use) is payable by subscribers to a CMRS provider which must be applied to all current wireless telephone numbers provided by the home service provider; (4) a fee may not be imposed on more than 50 CMRS exchange lines per customer billing account; and (5) the 911 fee may not be assessed against instrumentalities of the State, a local government, or the federal government.

A CMRS provider must use any equipment or technology procured using money from the 911 Trust Fund for purposes authorized by the board.

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.

**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 (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 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 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 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:** There are several inherent difficulties in assessing the fiscal impact of this bill: (1) there are no available estimates of the number of PBX or local government telephone numbers; (2) there is no available data on the number of instances a telephone user exceeds the threshold of 50 lines (and thereby qualify for a fee exemption for any additional lines); and (3) some wireless carriers collect fees per telephone line, while others collect fees per billing statement.

The trust fund collects approximately \$5.1 million annually from the accessible service subscriber fee of 10 cents per month on all phones – wireline or wireless. The number of wirelines in use remains relatively constant, while industry growth in wireless is not readily available, but is assumed to be significant.

The bill's change from user fee assessment being applied to each telephone wireline (4 million) per month, rather than each telephone bill, would generate approximately \$4.8 million annually. However, any such potential revenues would be negatively affected by the number of lines that would be exempt (for reasons of being over the limit of 50 per business entity or a government entity), the actual annual fee collections would be somewhat less than that amount. Increasing the fee from 10 cents to 35 cents on each cell phone (2.3 million) would generate a maximum of \$9,660,000 annually, a maximum increase of \$6,900,000 annually (less unknown amounts from entities with more than 50 cell phones in use).

The bill's provisions allowing the board to authorize payments for recurring costs and "nonrecurring costs" to CMRS providers for expenditures directly related to the deployment and operation of wireless enhanced 911 service would also tend to reduce available funds to local jurisdictions to meet enhanced deployment and implementation needs. Accordingly, since Baltimore City and the counties would still need a total of \$38 million statewide over the next three years, depending on the amounts that may be paid to CMRS providers from trust fund proceeds, a shortfall of trust fund revenues for enhanced wireless 911 service costs would likely be exacerbated.

Since the bill requires the trust fund to pay for any additional staff support to the board by DPSCS, trust fund expenditures could increase by an estimated \$70,481 in fiscal 2004,

which accounts for the bill's October 1, 2003 effective date. This estimate reflects the cost of hiring one administrator and one office secretary. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$58,350
Start-Up and Operating Expenses	<u>12,131</u>
<b>Total FY 2004 Administrative Expenditures</b>	<b>\$70,481</b>

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The board believes that the provisions of this bill will not increase revenues for the trust fund by \$12 million per year or in sufficient amounts to cover the \$38 million (over three years) estimate of needs by Baltimore City and the counties to fully implement wireless enhanced 911 service due to the number of unknown exemptions applicable to multiline business users and government entities, as well as the ability of CMRS providers to tap the trust fund for nonrecurring and recurring costs. Legislative Services advises that such an assessment cannot be readily verified, and may not be able to be confirmed without some direct experience under the bill.

**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.

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### **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:** HB 780 (Delegate McIntosh) – Health and Government Operations.

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

**Fiscal Note History:** First Reader - February 21, 2003  
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