

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1051
Finance

(Senator Kagan)

Public Safety - 9-1-1 Emergency Telephone System - Trust Fund and Fees (Carl Henn's Law)

This bill replaces the State 9-1-1 fee of \$0.25 per subscriber with a tiered fee structure based on the number of lines on a subscriber's account; a local government is authorized to adopt a similar tiered fee structure. The bill also expands the purpose of the 9-1-1 Trust Fund to include reimbursing counties, if funds are available and with the discretion of the Emergency Number Systems Board (ENSB), for the capital and operating costs of an enhanced 9-1-1 system. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: Special fund revenues for the 9-1-1 Trust Fund increase, potentially significantly, beginning in FY 2019. Special fund expenditures increase correspondingly as ENSB uses the trust fund for its authorized purposes, as modified by the bill.

Local Effect: Local revenues likely increase, potentially significantly, beginning in FY 2019. Expenditures increase correspondingly for the operation and enhancement of 9-1-1 systems.

Small Business Effect: Minimal.

Analysis

Bill Summary: Exhibit 1 summarizes the bill's proposed fee structure for the State 9-1-1 fee and the authorized fee structure for the local 9-1-1 fee. With respect to the local fee, the amount shown in the exhibit is the maximum amount that a local government may charge a subscriber. Both fees are collected monthly.

Exhibit 1
Proposed and Authorized Monthly 9-1-1 Fee Structure
Local and Statewide Fees

<u>Number of Lines in Account</u>	<u>Proposed State Fee</u>	<u>Maximum Authorized Local Fee</u>
1-2	\$0.25	\$0.75
3-5	0.50	1.50
6-10	0.75	2.25
11-25	2.50	7.50
26-50	5.00	15.00
51-200	6.25	18.75
201+	12.50	37.50

Source: Department of Legislative Services

Current Law/Background: In February 2018, the Board of Public Works approved a “text to 9-1-1 system” for the State. The system will allow residents to send messages of up to 160 characters to emergency responders, but no photos or videos. The Department of Public Safety and Correctional Services advises that the system will enable individuals with physical handicaps, vision, hearing, and speech impairments, as well as able-bodied persons unable to make 911 emergency voice calls, to contact first responders in an emergency. The contract to install and enable the technology became effective March 1, 2018.

ENSB further advises that Montgomery County has been approved to deploy its next generation 9-1-1 (NG 9-1-1) system; it is to begin operating in January 2019. Similarly, Calvert, Charles, Frederick, Prince George’s and St. Mary’s counties plan to submit NG 9-1-1 plans to ENSB soon and to implement those services within the next 12 months. The remainder of the state is likely 18 to 24 months away from implementation. For more information on the State’s 9-1-1 system and the status of modernizing the system, please see the **Appendix – 9-1-1 Funding and Modernization.**

State Fiscal Effect: The bill replaces the State 9-1-1 fee of \$0.25 per month per subscriber with a tiered system that increases the fee based on the number of lines on a subscriber’s account. Available information suggests that telecommunications companies consider information about the number of lines in accounts as proprietary and have been unwilling to share the data. Therefore, while the bill is expected to increase special fund revenues

for the 9-1-1 Trust Fund, potentially significantly, the total impact cannot be reliably estimated. Special fund expenditures increase correspondingly as the additional revenues are disbursed to local governments and used for the fund's other authorized purposes, as modified by the bill.

Local Fiscal Effect: The bill authorizes a local government to adopt a tiered 9-1-1 fee structure similar to what is established for the State 9-1-1 fee. It is likely that each local government establishes the maximum fee possible for each tier because all local governments previously established their 9-1-1 fees at the maximum possible charge of \$0.75 per subscriber. Furthermore, across all counties, 9-1-1 fee revenues only offset about 40% of operational expenditures, which is discussed in greater detail in the Appendix. Therefore, local government revenues increase, potentially significantly, to the extent a local government increases its 9-1-1 fee in the manner authorized by the bill. However, due to the lack of information regarding the number of lines in each subscriber's account in the State, the total effect cannot be reliably estimated.

Local governments also benefit from any reimbursements provided by the State from the 9-1-1 Trust Fund for the capital and operating costs of an enhanced 9-1-1 system, as authorized by the bill.

Local government expenditures increase correspondingly for the operation and enhancement of 9-1-1 systems.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Public Safety and Correctional Services; Montgomery County; Maryland Association of Counties; Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2018
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Appendix – 9-1-1 Funding and Modernization

Maryland's 9-1-1 System

A statewide 9-1-1 system and the Emergency Number Systems Board (ENSB) to oversee the new system were established by Chapter 730 of 1979. The legacy 9-1-1 model, which is based on a landline phone system, consists of local public safety access points (PSAPs) connected to an analog wireline phone network to deliver emergency calls via a circuit-switched architecture. However, 70% of 9-1-1 calls are now made from cell phones, and an increasing number are made via Voice over Internet Protocol (VoIP) networks, presenting a challenge as to how to process and obtain accurate caller location and phone number information.

The 9-1-1 system is funded through the 9-1-1 Trust Fund. The fund is administered by the Department of Public Safety and Correctional Services (DPSCS) and includes revenue from the following three funding sources (as well as investment earnings):

- the State 9-1-1 fee, which is set at \$0.25 per subscriber per month;
- the county additional charge, at an amount determined by each county through local ordinances, up to a maximum of \$0.75 per bill per month (All counties and Baltimore City have passed local ordinances establishing the additional charge at the maximum level of \$0.75 per bill per month.); and
- the fee added to the sales of prepaid wireless service (\$0.60 per transaction), collected at the point of sale.

Telephone companies, wireless carriers, and other 9-1-1 accessible service providers collect and remit monthly the State 9-1-1 fee and the county additional charge to the Comptroller for deposit into the fund. The State 9-1-1 fee is distributed to counties at the discretion of ENSB in response to county 9-1-1 system enhancement requests. The county additional charge, the prepaid wireless 9-1-1 fee remittances, and any investment earnings of the fund are all distributed quarterly to each county in prorated amounts according to the level of fees collected in each jurisdiction. The State 9-1-1 fee and 25% of all collected prepaid wireless 9-1-1 fees may be used to reimburse counties for the cost of enhancing the 9-1-1 system. The county additional charge and the remaining 75% of all collected prepaid wireless 9-1-1 fees may be spent on maintenance and operating costs of 9-1-1 systems.

Next Generation 9-1-1 Modernization

As analog landline communication is phased out completely, state and local governments are preparing for “next generation” technology that will allow 9-1-1 centers to access not only more accurate information about caller location, but also other information that will assist emergency personnel in communicating with callers and responding more efficiently. This Next Generation 9-1-1 (NG 9-1-1) technology will allow PSAPs to receive text, chat, video, location, and various other types of data from a single 9-1-1 call. However, local governments face challenges both in maintaining existing 9-1-1 systems and in transitioning to NG 9-1-1 systems, primarily due to a lack of funding.

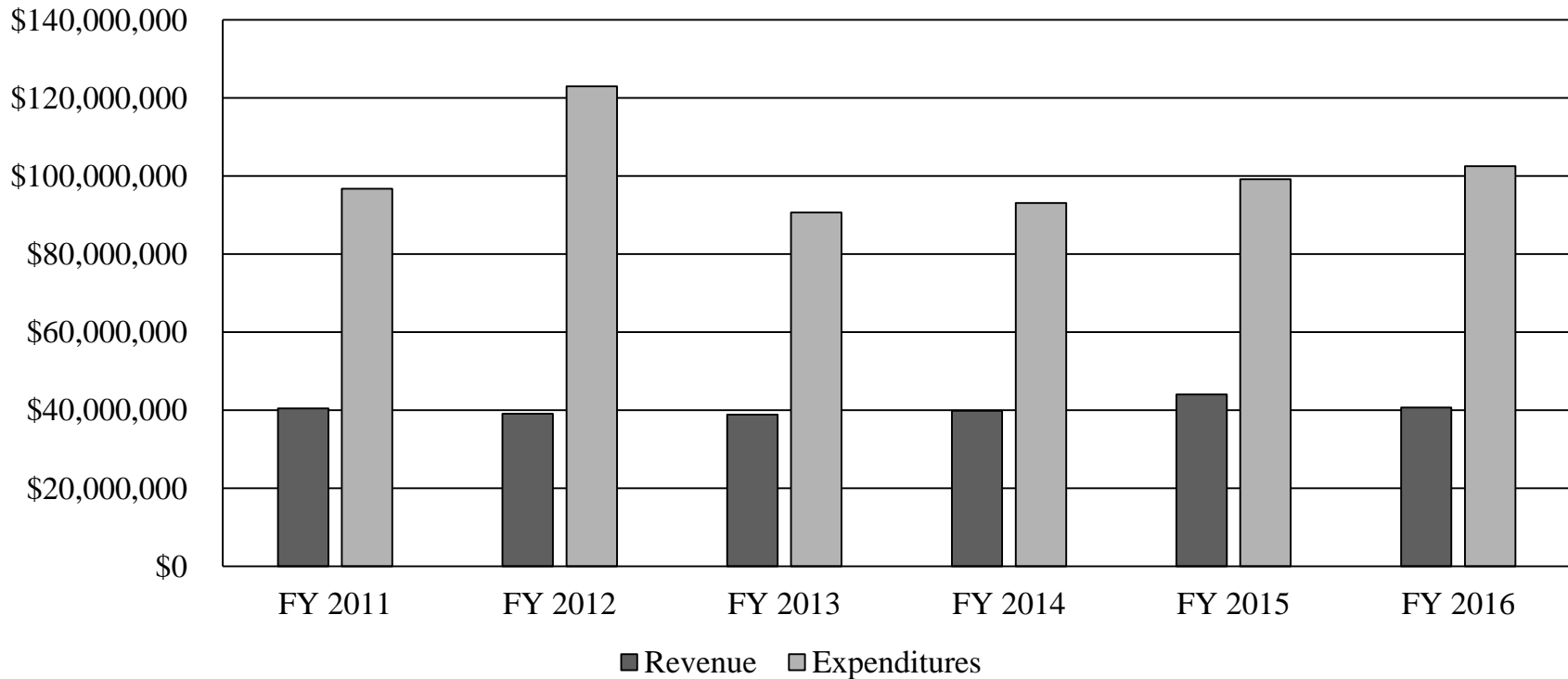
Funding Challenges

County expenditures for 9-1-1 systems consistently exceed available fee revenues. **Exhibit 1** shows the total 9-1-1 fee revenues collected and total 9-1-1 operating expenditures per fiscal year from fiscal 2011 to 2016 (the most recent publicly available data). Across all counties, in fiscal 2016, fee revenues covered 39.7% of operating costs. However, the percentage of costs offset by revenues varied significantly by county in that year. For example, only 7.8% of Talbot County’s costs were offset by fee revenues, while in Montgomery County, 63.3% of costs were offset. **Exhibit 2** shows fiscal 2016 fee revenues and operating expenditures by county.

Status of Next Generation 9-1-1 Implementation

ENSB has contracted with a consultant to (1) recommend a procurement strategy for NG 9-1-1; (2) analyze county geographic systems data for readiness; (3) assess county customer premise equipment for next generation readiness; and (4) provide grant writing assistance. After a procurement strategy is finalized, ENSB is expected to submit a request for proposals to implement a statewide NG 9-1-1 system. DPSCS is required, pursuant to the 2017 *Joint Chairmen’s Report*, to submit an update to the Senate Budget and Taxation Committee and the House Appropriations Committee on the status of the contractor, progress made, associated costs, timelines, and funding sources and options by June 30, 2018.

Exhibit 1
Total County 9-1-1 Fee Revenue and Operational Expenditures
Fiscal 2011-2016



Note: Prepaid wireless 9-1-1 fee revenues were first collected in fiscal 2014. County operating expenditures are costs as reported by county-selected independent auditors and typically include 9-1-1-related personnel salaries and benefits, recurring maintenance and service fees, mapping maintenance and updates, network associated fees, and capital expenditures not covered by the Emergency Number Systems Board.

Source: Emergency Number Systems Board annual reports (FY 2011-2016)

Exhibit 2
9-1-1 Fee Revenues and Operating Expenditures by County
Fiscal 2016

