

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 967 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Public Safety and Correctional Services)
Health and Government Operations

Emergency Number Systems Board - 9-1-1 Center Enhancements

This departmental bill requires the Emergency Number Systems Board, with input from local jurisdictions, to implement the deployment of a “Phase II Wireless Enhanced 911” system by July 1, 2004.

Fiscal Summary

State Effect: Emergency Number Systems Trust Fund revenues and expenditures would increase by \$1.49 million in FY 2004, and by \$2.55 million annually thereafter.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$1,486,700	\$2,550,000	\$2,550,000	\$2,550,000	\$2,550,000
Expenditure	1,486,700	2,550,000	2,550,000	2,550,000	2,550,000
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 Phase II implementation would be borne by the 911 Trust Fund.

Small Business Effect: The Department of Public Safety and Correctional Services has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: This bill: (1) requires the Emergency Number Systems Board, with input from local jurisdictions, to publish an implementation plan for the deployment of a “Phase II Wireless Enhanced 911” system by July 1, 2004; (2) requires the board to conduct a review of wireless enhanced deployment and attendant costs, by December 31, 2006, in order to reevaluate the 911 fee structure; (3) increases the State accessible service subscriber fee from 10 cents per month to 15 cents per month, and increases the maximum additional monthly charge that may be assessed by a county from 50 cents to 75 cents; and (4) alters the membership of the Emergency Number Systems Board by requiring that one member must represent the Maryland Chapter of the National Emergency Numbers Association and reducing from three to two the number of members representing the public on the board.

The bill also requires that, for a county without an operational Phase II Wireless Enhanced system within time frames established by the board in its published plan, the board adopt procedures to assure that: (1) the money collected from the additional charge and distributed to the county are according to a specified formula; and (2) the total amount collected from the fee and additional charge must be spent only for the installation, enhancement, maintenance, and operation of a county or multicounty system. The bill allows the board to grant an exception to the county spending formula, and any county with a Phase II Wireless Enhanced system is exempt from the formula.

In addition, the bill requires independent audits of the carriers required to collect the 911 fee.

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 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: 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 15 cents per month is expected to increase trust fund revenues from \$5.10 million to \$6.59 million in fiscal 2004, and to \$7.65 million annually thereafter. This increase is based largely on an assumption that each one cent increase in the monthly fee will generate about \$500,000 annually. However, the increase in revenues does not allow the total estimated costs of Phase II implementation (\$38 million) to be covered by this fee, even after three to five years. Under this bill, trust fund expenditures are expected to increase by about \$11.69 million over this same period. Accordingly, since Baltimore City and the counties would still need a total of \$38 million statewide over the next three years, a shortfall of trust fund revenues for enhanced wireless 911 service costs would likely be exacerbated. Any additional interest earned on the additional revenues would be returned to the local jurisdictions proportionally based upon customer counts.

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.

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.

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 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 Phase II will be about \$500,000. These costs for other jurisdictions are likely to be between \$200,000 and \$300,000.

Additional Comments: The proposed 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): Baltimore City, Department of Public Safety and Correctional Services (Emergency Number Systems Board), Maryland Association of Counties, Department of Legislative Services

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mdf/jr

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