

Legislative Analysis



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911 FUNDING

Senate Bill 410 (Substitute S-3)
Sponsor: Sen. Cameron S. Brown

Senate Bill 411 (Substitute S-3)
Sponsor: Sen. Raymond E. Basham

House Committee: Appropriations
Senate Committee: Energy Policy and Public Utilities

Complete to 6-13-07

A SUMMARY OF SENATE BILLS 410 AND 411 AS PASSED BY THE SENATE 5-24-07

The bills would amend the Emergency Telephone Service Enabling Act, 1986 PA 32, to alter the funding of 911 in the state. The bills are tie-barred to each other.

Senate Bill 410

The bill would do the following:

- Replace the current 29-cent 911 charge on wireless subscribers with a 19-cent charge on users of phones (landline, wireless, and Voice Over Internet Protocol) capable of connecting to the 911 system, beginning January 1, 2008.¹
- Permit the Public Service Commission (in consultation with the Emergency 911 Service Committee²) to adjust the State 911 charge on January 1, 2009 and January 1, 2010.
- Replace the current operational charges imposed by counties (up to \$0.80 cents per landline with approval of the county board and up to \$3.20 per landline with approval of voters), with a fee that is not to exceed the amount necessary to implement, maintain and operate the 911 system. (Counties would still have the option to use a millage or other county funds to fund their 911 dispatch centers.)
- For users with more than 10 lines, impose the county and state charges on the first 10 lines and every 10th line thereafter.
- Impose a charge on prepaid cellular users based on the state charge and a weighted average of the county charge.

¹ The current 29-cent charge is distributed as follows: 25-cents to counties (10-cents on an equal basis and 15-cents on a per capita basis), 0.5-cent to providers for billing and collection, 1.0-cent to the State Police, 1.5-cents to public safety answering points, and 1 cent to local exchange providers.

²The committee is currently called with Emergency Telephone Service Committee (ETSC).

- Permit service suppliers to impose a per-line technical charge for recurring costs (\$0.40 or 2% of the highest monthly rate) and non-recurring costs (\$1 or 5% of the highest monthly rate).
- Require counties that impose a 911 charge to report to the PSC the initial charge and estimated revenue in 2008 and 2009.
- Require the PSC to review the county 911 charge and disapprove of any charge where the estimated revenue in 2008 exceeds the 2007 revenue plus 2.7%. (Any disapproved 911 charges would have to be adjusted so as to not generate more revenue than permitted.)

Senate Bill 411

The bill would do the following:

- Delay the act's sunset date from December 31, 2007 to December 31, 2011.
- Permit service suppliers to retain 2% of the State 911 charge for billing and collection costs.
- Distribute the State 911 charge as follows:
 - 82.5% to counties, with 60% of that amount distributed on a per capita basis and 40% distributed to each county equally.
 - 7.75% to reimburse local exchange providers for costs related to wireless emergency service.
 - 6.0% to public safety answering points (dispatch centers) for training personnel.
 - 3.75% to the Department of State Police to administer the act, operate a regional dispatch center, and provide for the position of State 911 Administrator.
- Direct \$500,000 from the balance of the Commercial Mobile Radio Service (CMRS)-Suppliers Fund to be used for a feasibility study of an internet-protocol based 911 system.
- Permit the PSC (in consultation with the ETSC) to promulgate rules.
- Require the ETSC develop a voluntary, informal dispute resolution process to resolve disputes concerning the formulation, implementation, delivery, and funding of 911 service in the state.
- Increase the penalty for improperly using 911 service from a misdemeanor punishable by 93 days imprisonment and/or a fine of \$1,000 to 180 days

imprisonment and/or a fine of \$5,000, and increase the penalty for multiple violations from a felony punishable by 2 years imprisonment and/or a fine of \$2,000 to 2 years imprisonment and/or a fine of \$5,000.

FISCAL IMPACT:

Generally speaking, the revised state and county 911 charges would generate approximately the same amount of revenue as the current charges, although the rates would be lowered to account for the fact the charges are applied to a greater number of service users. Currently, the 29-cent CMRS fee is imposed only on wireless subscribers and the operational charges imposed by counties are imposed on landline subscribers.

On a full-year basis, the 19-cent State 911 charge would generate approximately \$20.9 million.³ Revenue from the charge would be deposited into the Emergency 911 Fund, and distributed as follows:

	Percent	Cents	Monthly	Annually
<i>Billing and Collection</i>	2%	\$0.0038	34,880.58	418,566.96
Distribution of the Rest				
Counties	82.50%	\$0.1536	1,410,047.45	16,920,569.36
- <i>Equally</i>	40%	\$0.0614	564,018.98	6,768,227.74
- <i>Per Capita</i>	60%	\$0.0922	846,028.47	10,152,341.61
Exchange Carriers	7.75%	\$0.0144	132,459.00	1,589,508.03
Michigan State Police	3.75%	\$0.0070	64,093.07	769,116.79
PSAP Training	6.00%	\$0.0112	102,548.91	1,230,586.86
TOTAL		\$0.1900	1,744,029.00	20,928,348.00

The county operational charges generate approximately \$57 million in revenue annually (based on 2005 figures). The bills do not set a specific rate for the county 911 charge, but specify that the total charge is not to exceed the amount necessary to implement, maintain and operate the 911 system. In this regard, the aggregate amount collected by a county under the bill would be similar to what is currently collected. The bill specifically limits the total revenue collected from the county charge in 2008 to the revenue collected in 2007 plus 2.7%.

Senate Bill 411 directs that \$500,000 from the approximately \$18.8 million balance in the CMRS-Suppliers Fund to be used to study the feasibility of an internet protocol-based 911

³ According to data provided by the Department of State Police there are approximately 12.24 million wireless subscribers and landlines. This number is reduced by approximately 25% to account for the "discount" provided to multi-line users, leaving a total number of connections subject to the charges at about 9.2 million.

system.⁴ The act, as amended by 2003 PA 244, permitted CMRS suppliers and resellers to submit an invoice to the ETSC for reimbursement for expenses related to implementing the FCC's wireless order and the act incurred before December 31, 2005. CMRS suppliers and resellers had to notify the ETSC prior to July 1, 2004 whether it would reimbursement for those expenses. If a supplier sought reimbursement, it charged a monthly fee of \$0.52, through December 31, 2005. If a supplier didn't seek reimbursement, it imposed the monthly surcharge of \$0.29. (After December 31, 2005 all suppliers charged the \$0.29 fee.) Final invoices for eligible expenses had to be submitted to the ETSC by September 1, 2006. The \$18.8 million balance represents funds where the \$0.52 fee was charged and where reimbursements were either not sought by the supplier or not paid out by the Department of Treasury.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

⁴ In November 2006, pursuant to 2006 PA 249, the ETSC submitted a report to the legislature on long-term funding of the 911 system. The report included a recommendation that \$500,000 from available CMRS funds be used for the feasibility study. The study would include (1) recommendations on an IP-911 network that is redundant, secure, and provides 911 network services to Michigan PSAPs and communications providers; (2) cost projections for implementation and maintenance, (3) recommendations on additional and/or continued funding for the IP-911 system, and (4) a migration plan for the current 911 network and Michigan PSAPs. The ETSC further recommended that \$10 million in available CMRS funds be used to fund the initial costs of an IP-based 911 system.