



**House  
Legislative  
Analysis  
Section**

Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

**911 SURCHARGE: INCREASE CAP**

**Senate Bill 89 (Substitute H-1)  
First Analysis (5-9-91)**

**Sponsor: Senator Vern Ehlers  
Senate Committee: Health Policy  
House Committee: Public Utilities**

***THE APPARENT PROBLEM:***

To encourage statewide development of a 911 emergency telephone system and provide a funding mechanism for it, the legislature enacted the Emergency Telephone Service Enabling Act in 1986. The act set up a process for county boards of commissioners to establish local 911 systems and for telephone companies to pass on to their subscribers part of the companies' recurring and nonrecurring network costs for providing the service. (Nonrecurring costs are the suppliers' start-up costs necessary to make 911 operational. Recurring costs include maintenance, service, equipment, and tie lines.) Recurring costs cannot exceed two percent of the highest monthly base rate charged by the service supplier for one-party unlimited calling within a 911 service district. Up to five percent can be charged for nonrecurring costs.

According to the 1989-90 report of the Emergency Telephone Service (ETS) Committee established under the emergency telephone act, 28 of Michigan's 83 counties have installed or approved final plans to install a 911 system, while four counties have approved tentative plans, and 37 have plans under study. A subcommittee of the ETS committee in 1990 submitted a study indicating that several counties, most of them rural northern counties, would not be able to collect enough funds from a two percent surcharge for a service supplier to cover its 911 costs. While the study did not include all counties in the state that do not have or plan to have a 911 system, it revealed that in many instances the two percent cap could impede the development of a system, particularly in more sparsely populated areas. It has been suggested that the cap be raised to four percent, at least for 911 districts created in the future.

***THE CONTENT OF THE BILL:***

The bill would amend the Emergency Telephone Service Enabling Act to allow a newly-created 911

district to impose a monthly surcharge for recurring costs of up to four percent of the highest monthly base rate charged by the service supplier for one-party unlimited calling within the 911 service district. The highest allowable monthly surcharge for a district created before the bill took effect would remain two percent.

MCL 484.1401

***HOUSE COMMITTEE ACTION:***

The Senate-passed bill would have increased the surcharge cap for recurring costs to four percent for all 911 districts; the House Public Utilities Committee adopted a substitute that would limit the four percent cap to districts created after the bill took effect, and keep the current two percent cap for existing districts.

***FISCAL IMPLICATIONS:***

According to the Senate Fiscal Agency, the original bill (which proposed a four percent cap for all 911 districts) would have had no fiscal impact on state or local government. (3-4-91)

***ARGUMENTS:***

***For:***

Although many communities have improved their emergency responses by adopting the standard 911 number, some obstacles remain. A recent study has shown that in many rural counties, the current two percent surcharge cap for recurring costs will not cover the costs of a 911 system; basically, there are not enough ratepayers to meet costs. By raising the cap for systems established after the bill takes effect, the bill would better enable costs to be recouped in sparsely populated counties.

***Against:***

The bill should apply to all districts, not just those to be created after the bill takes effect. By barring existing districts from being able to charge more for recurring costs, the bill could prevent current systems from upgrading their equipment to enhanced systems that provide more sophisticated computer responses.

***Response:***

For one thing, indications are that a surcharge increase is not needed in those areas that now have 911 service. More importantly, in many areas that now have 911 service, ratepayers/voters accepted 911 service with the understanding that surcharges would not exceed a certain amount. To allow surcharges to be increased now would be to break commitments made when districts were formed, and jeopardize support for system improvements.

***POSITIONS:***

The Michigan Association of Counties supports the bill. (5-8-91)

The Department of Management and Budget supported the original bill, but does not have a position on the substitute at this time. (5-8-91)

The Emergency Telephone Service Committee supported the original bill, but has no position on the substitute at this time. (5-8-91)

Michigan Bell does not oppose the bill. (5-8-91)

The Michigan Municipal League opposed the original bill, but has no position on the substitute. (5-8-91)

The Michigan Public Service Commission has no position on the bill. (5-8-91)