

911 FUNDING

Senate Bill 410 (Substitute H-3)

Sponsor: Sen. Cameron S. Brown

Senate Bill 411 (Substitute H-4)

Sponsor: Sen. Raymond E. Basham

House Committee: Appropriations

Senate Committee: Energy Policy and Public Utilities

Complete to 10-16-07

A SUMMARY OF SENATE BILL 410 (H-4) AND SENATE BILL 411 (H-4)

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, House Bill 5036 and House Bill 5086.

Senate Bill 410

The bill would do the following:

- Replace the current 29-cent 911 charge on wireless subscribers with an 81-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

Under the Senate-passed version, the State 911 charge was 19-cents beginning January 1, 2008, with Emergency 911 Committee and the Public Service Commission authorized to adjust the charge on January 1, 2009 and 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.)
- Require service providers to remit the county charges to the State Treasurer, rather than individual counties. The funds would be deposited into the State 911 Fund, along with the State 911 charge. That portion of the fund attributable to the county charge would be distributed back to the counties in the amount collected for each county.

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.

The Senate-passed version retains the current process where the county charge is remitted by the service provider directly to each county.

- 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 State 911 charge on prepaid cellular users, collected by retailers at the point of sale, equal to 3% of the retail price of prepaid wireless service cards, and a county 911 charge, collected by retailers at the point of sale, equal the amount of the county charge divided by \$27, and multiplied by the retail purchase price of prepaid wireless service cards.²

Under the Senate-passed version, prepaid cellular users were subject to a state and local charge. The state charge, remitted by the suppliers each month, could be calculated in one or two ways: (1) 19-cents (or the amount of the charge as adjusted by the PSC) multiplied by the number of prepaid accounts; or (2) the prepaid revenue in the month divided by \$50, and multiplied by 19-cents (or the amount of the charge as adjusted by the PSC). The county 911 charge, as applied to prepaid cellular users, would be based on the weighted average of the county charges.

- Permit service suppliers to impose a per-line technical charge for recurring costs (\$0.80 or 4% of the highest monthly rate) and non-recurring costs (\$1 or 5% of the highest monthly rate).

Under the Senate-passed version, the technical line for recurring costs was \$0.40 or 2% of the highest monthly rate. Under current law, the technical charge for recurring costs is \$0.80 or 4% of the highest monthly rate. The H-3 substitute restores current law.

- Require counties that impose a 911 charge to report to the PSC the initial charge by October 15, 2007 and estimated revenue in 2007 and 2008.
- Require the PSC to review and approve or disapprove the county 911 charge where the estimated revenue in 2008 exceeds the 2007 revenue plus 2.7% by November 1, 2007. (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.

² Based on a monthly average revenue per user (APRU) for prepaid wireless service of \$27, a 3% charge is \$0.81.

- Distribute the State 911 charge between the 911 account and the Public Safety account established within the State 911 Fund.
 - 19-cents of the 81-cent charge (23.46%) would be credited to 911 account.
 - 62-cents of the 81-cent charge (76.54%) would be credited to the Public Safety account.
- The 911 account is essentially the current CMRS fund, with funding distributed to providers, counties, and the Michigan State Police for 911 service similar to the current distribution from the CMRS fund. The H-3 substitute does not fundamentally alter the funding distribution established in the Senate-passed version, although it specifically allocates how funding to the State Police should be used. Under the bill, funding in the 911 account would be distributed 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: 1.88% to operate a regional dispatch center and 1.87% to administer the act and provide for the position of State 911 Administrator. (The Senate-passed version simply directed 3.75% to the DSP to operate a regional dispatch center, administer the act, and provide for the State 911 administrator.)
- The Public Safety account would be distributed as follows:
 - 11.01% to the Michigan Public Safety Communications System
 - 9.26% to the Michigan Commission on Law Enforcement Standards
 - 4.05% to the Criminal Justice Information Systems Policy Council
 - 2.53% Prosecuting Attorneys Coordinating Council
 - 8.23% Department of Labor and Economic Growth, Bureau of Fire Services
 - 12.66% to the Traffic Law Enforcement and Safety Fund
 - 1.27% for probation and parole monitoring systems
 - 35.62% to the Michigan State Police, Forensic Science Division

- 1.27% to support non-emergency call diversion
- 12.66% for the Michigan Public Safety Office Grant Program (HB 5086)
- 0.19% to Poison Control Centers
- 1.25% to the Emergency Broadcast System
- The bill provides that from the funds provided to MCOLES, there is created a committee to examine cultural diversity, with particular emphasis on racial profiling. The committee would study the pervasiveness and ramifications of racial profiling in the state, and develop the necessary curriculum to remedy problem areas. In completing its task, the committee would review existing standards, training materials, and practices. The committee would consist of an unspecified number of legislators, members of the general public, representatives of from law enforcement agencies, and subject matter experts. The committee would submit a report to the legislature annually.
- 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 county 911 charges and the portion of the State 911 charge deposited in the State 911 Fund-911 Account would generate approximately the same amount of revenue as the current county operational charge and the 29-cent CMRS charge, although the rate would be lowered to account for the fact that 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 levied by counties are imposed on landline subscribers.

The county operational charges generate approximately \$57 million in revenue annually (according to the 2007 report of the ETSC to the Legislature). 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.

On a full-year basis, the 19-cent portion of the State 911 charge would generate approximately \$22.6 million. Revenue from the charge would be deposited into the State 911 Fund, and distributed as follows:

State 911 Fund – 911 Account (\$0.19)					
	Percent	Cents	Others	Prepaid	Total
<i>Billing and Collection</i>	2.00%	\$0.0038	\$407,741.63	\$44,413.47	\$452,155.10
Distribution of the Rest					
Counties	82.50%	\$0.1536	\$16,482,955.49	\$1,795,414.52	\$18,614,756.86
- Equal	40.00%	\$0.0614	\$6,593,182.20	\$718,165.81	\$7,445,902.74
- Per Capita	60.00%	\$0.0922	\$9,889,773.30	\$1,077,248.71	\$11,168,854.11
Exchange Carriers	7.75%	\$0.0144	\$1,548,398.85	\$168,660.15	\$1,748,658.98
Michigan State Police	3.75%	\$0.0070	\$749,225.25	\$81,609.75	\$846,125.31
PSAP Training	6.00%	\$0.0112	\$1,198,760.40	\$130,575.60	\$1,353,800.50
Total	100.00%	\$0.1900	\$20,387,081.63	\$2,220,673.49	\$22,607,755.11

Note: "Others" includes traditional wireless, landlines, and VoIP.

The bill, in general, has a net revenue increase of \$73.7 million (on a full-year basis) that is attributable to the increased State 911 charge rate that is allocated specifically for a variety of public safety programs, as shown below.

State 911 Fund - Public Safety Account (\$0.62)					
	Percent	Cents	Others	Prepaid	Total
Billing and Collection	2.00%	\$0.0124	\$1,330,525.33	\$144,928.16	\$1,475,453.49
Distribution of the Rest					
CJIS Policy Council	4.05%	\$0.0251	\$2,640,427.51	\$287,609.94	\$2,928,037.45
Bureau of Fire Services	8.23%	\$0.0510	\$5,365,609.49	\$584,451.81	\$5,950,061.30
PACC	2.53%	\$0.0157	\$1,649,452.25	\$179,667.45	\$1,829,119.69
MCOLES	9.26%	\$0.0574	\$6,037,125.62	\$657,597.05	\$6,694,722.67
MPSCS	11.01%	\$0.0683	\$7,178,051.09	\$781,872.95	\$7,959,924.04
Forensic Science Division	35.62%	\$0.2208	\$23,222,722.96	\$2,529,547.20	\$25,752,270.15
Traffic Law Enf. Safety Fund	12.66%	\$0.0785	\$8,253,780.81	\$899,047.38	\$9,152,828.19
Probation and Parole Systems	1.27%	\$0.0079	\$827,985.91	\$90,188.80	\$918,174.71
Non-Emergency Call Diversion	1.27%	\$0.0079	\$827,985.91	\$90,188.80	\$918,174.71
Public Safety Office Grants	12.66%	\$0.0785	\$8,253,780.81	\$899,047.38	\$9,152,828.19
Emergency Broadcast System	1.25%	\$0.0078	\$814,946.76	\$88,768.50	\$903,715.26
Poison Control Centers	0.19%	\$0.0012	\$123,871.91	\$13,492.81	\$137,364.72
Total	100.00%	\$0.6200	\$66,526,266.36	\$7,246,408.22	\$73,772,674.58

Note: "Others" includes traditional wireless, landlines, and VoIP.

Senate Bill 411 also deposits the unspent balance of the CMRS Emergency Telephone Service Fund into the new State 911 Fund, and directs \$500,000 to be used to study the feasibility of an

internet protocol-based 911 system.³ 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 seek 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 \$15.7 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.

Fiscal Analyst: Mark Wolf

■ 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.

³ 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.