

**H.B. 911
911 SERVICES SYSTEM REFORM**

SENATE VETERANS AFFAIRS AND EMERGENCY PREPAREDNESS COMMITTEE

**Presented by
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Harrisburg PA

Good afternoon, I am Douglas E. Hill, Executive Director of the County Commissioners Association of Pennsylvania (CCAP). The Association is a non-profit, non-partisan association providing legislative, educational, insurance, technology, research, and other services on behalf of all of the Commonwealth's 67 counties.

It is my pleasure to appear before you again to present counties' comments on House Bill 911, the rewrite of Chapter 53 of Title 35, commonly known as the 911 Emergency Telephone Act. A comprehensive rewrite of the act is the top county priority for 2015. I want to acknowledge the time and effort the Committee has devoted to this effort, and particularly to acknowledge the work of the Chairman and Committee staff in reviewing the legislation as it came from the House, in developing further amendatory language, and in their collaboration with us in reviewing their suggestions and ours.

The bill represents nearly two years of substantive work among CCAP, 911 professionals, PEMA, legislative committees, the communications industry and other interests. Our mutual objectives include the ability to accommodate all current communication technologies including social networking platforms, ability to anticipate and fold in future technologies, consolidation of core elements of the system, and improvement in and consolidation of funding streams.

We have presented on 911 before this Committee on multiple occasions, and so we are comfortable with your awareness of the 911 system in general, counties' role as the provider of 911, the disjointed and siloed nature of the statute, and the need to position the system to take advantage of next generation technologies. Our most recent appearance was in February, where the focus was on system finances.

Since then, we have focused in the House on introduction of H.B. 911, which takes into account recommendations and commentary from this Committee and others. Our goal remains to have legislation on the Governor's desk well in advance of the June 30 sunset of provisions of the current law.

House Bill 911 addresses the three objectives we need to see in comprehensive legislation: Improving 911 system administration by combining silos and preparing for next generation technologies; sorting out governance mechanisms to respect counties' role as providers of the system while balancing our broader interests of coordination statewide; and working toward a sustainable and equitable fee and attendant financing structure.

The bill satisfactorily addresses the first two of these objectives and gives us an opportunity for discussion on the third, and so we supported House passage of the legislation.

Following House passage, we have spent time with Chairman Vulakovich and Committee staff, undertaking detailed review of the legislation along with concerns and priorities expressed by the Chairman and others he has spoken with in the Senate. Appended to this testimony is an outline of issues that will form the basis of our oral commentary before the Committee today.

The remainder of these written remarks will address commentary from the February hearing and in many of our subsequent conversations in the House, reflecting concerns that remain regarding the fee structure and particularly the proposed fee itself. These written remarks focus on the

finances of the 911 system from the perspectives of historic foundation, current finances, and future need.

The context is the recognition that for counties, the bottom line is a significant and growing backfill of local property tax dollars needed to keep 911 systems operational for their residents and for all those who visit or travel through their communities, particularly given the intent of the original law for the subscriber fee to fully fund all eligible costs. The need to address the funding stream is immediate, and will reach crisis proportions if action is delayed past the June 30, 2015, expiration of the wireless telephone subscriber surcharge.

Funding Mechanism: Description

The funding structure is a monthly surcharge on wireline, wireless (standard and pre-paid) and VoIP subscribers, ranging from \$1.00 to \$1.50 per month for wireline, and set at \$1.00 per month for wireless and VoIP, and \$1.00 per transaction for prepaid wireless (including either purchase of a prepaid wireless device or purchase of minutes).

The wireline rates are established by each county. The variance in wireline rates is set in the statute: The maximum rate in 1st class, 2nd class, and 2A counties is \$1.00; the maximum in 3rd through 5th class counties is \$1.25, and the maximum in 6th through 8th is \$1.50. The monthly rates for wireless and VoIP, along with the per-transaction rates for pre-paid wireless, are set statutorily statewide (there is no county action), and are a flat \$1.00.

Funding Mechanism: History

It is important to note at the outset that counties, recognizing the inability of municipal government to effectively or efficiently provide for statewide access to 911 services, requested the legislative mandate to provide the service at the county level, ultimately enacted as the Public Safety Emergency Telephone Act (Act 78 of 1990). In return, counties requested and statutorily received a funding mechanism intended to be sufficient to fully fund all allowable 911 costs the counties incurred. Apart from counties absorbing disallowed costs (bricks-and-mortar, housing overhead, and a portion of personnel and training expenses), there was no requirement for county match nor was there a presumption that there would be stranded costs for the counties to absorb.

Given the then-prevalent technology, the original 1990 law dealt exclusively with wireline; wireless was a small and exclusive market and VoIP did not exist. The primary rate-setting mechanism in the act was individual county-proposed monthly surcharge rates, subject to Public Utility Commission approval. The fee is collected by the telephony provider, and is remitted directly to each county based on the subscriber billing address.

The law provided for each county to develop its 911 system budget and calculate the rate necessary to fully fund its statutorily-allowable costs, and then submit its documentation to the PUC. The PUC in turn, after close review, determined the county's final rate.

Throughout legislative consideration of the bill that became Act 78, the PUC rate-making system was the proposal's exclusive funding provision. It was only when the bill went to conference committee that the final report added – in addition to the PUC process – the \$1.00/\$1.25/\$1.50 caps.

Still, in the initial years, the PUC-approved amount in each county was sufficient to cover all allowable costs, and it was not until the broad public acceptance of wireless, and the market effects of that transition, that the wireline-based funding system became inadequate.

Public adoption of wireless technology had three significant effects. First, a core safety standard for 911 is to be able to identify the point of origin of calls to aid in dispatch. However, unlike wireline phones, the wireless devices have no fixed address and so required “enhanced 911” (E-911) which originally was triangulation off cell towers and, later, GPS locator systems. The cost of developing and installing these systems was significant, well beyond the available wireline funds. Further, these system upgrades had to be integrated with existing wireline call-taking systems, often requiring their replacement as well.

The second effect of wireless, although not as immediate, was a gradual plateau, and then ultimately precipitous decline, of wireline revenues. As public adoption of wireless grew, new installations of wireline slowed, and within a relatively short time frame the line counts began to shrink as households abandoned wireline altogether.

The third effect of wireless was call volume. In the wireline era, a highway accident generated one or two calls as witnesses made their way to nearby payphones. With the advent of wireless, the same accident would generate a sizable volume of calls and, because each had to be handled properly despite redundancy, it increased both equipment and staffing costs.

We addressed our wireless issue with Act 56 of 2003, which established a statewide fee of one dollar per month per wireless subscriber, and gave us tools for planning and development of wireless locator and response systems. The fee is collected by the wireless provider and is remitted to the Commonwealth, and then is redistributed to the counties based on wireless plans submitted to PEMA.

The fee was established statewide because, unlike wireline, wireless billing addresses are not a good indicator of the usage patterns or system needs for mobile devices. The grant mechanism was used for distribution on the presumption that the fee would be sufficient to fully fund E-911 build-out, and so the planned costs developed by counties were presumed to be a fair indicator of need. As a safe-guard, the original law provided that, to the extent a given year’s wireless collections were insufficient to fund all of that year’s cost, those costs would be carried forward to the subsequent year and paid first-dollar out of that year’s receipts. In this context the fee structure reflected, as did the original wireline fee, a legislative intent that the fee fully fund eligible county 911 costs.

And then with that problem barely solved, we found we had comparable problems with Voice over Internet Protocol (VoIP) communications systems, and counties again worked with PEMA, emergency management professionals, and the industry to develop Act 72 of 2008, which also incorporates a one dollar per month wireless subscriber fee along with the tools for planning and development of VoIP locator and response systems. Like the wireless fee, it is a statewide statutory levy; unlike the wireless fee, because VoIP is for now a more static technology, its revenues are redistributed to the counties based on the subscriber address.

Finally, in response to growing use of prepaid wireless phones and attendant issues on the changing means of their sale and deployment, Act 118 of 2010 clarified how the \$1.00 monthly wireless subscriber fee and related administrative matters apply to those devices.

Funding Mechanism: Current Issues

The two predominant current issues with the 911 system funding mechanisms relate to structural shortcomings in its administration, and the adequacy of funding.

Administration issues encompass the fragmented nature of the funding streams, and their lack of responsiveness to system needs. One fund stream is wholly local, one funding stream is state-collected and distributed based on a de facto competitive grant, and one funding stream is state-leveled and distributed based on billing address either through state collections or by direct provider remittance to the county. Each of these funding streams has collection issues as well; there is no ready means for counties to verify line counts or collections for the wireline fee, PEMA has no clear capability to audit wireless or VoIP collections, and collection patterns for prepaid wireless are suspect.

Administration issues also point to distribution inefficiencies. On one hand, wireline and VoIP distributions based on place of service are not a wholly equitable indicator of system need (especially in smaller or less-densely populated counties). On the other, the stage has been reached where the wireless fee is far from adequate and, coupled with the elimination of the act's carry-over provision, PEMA is now compelled to award funds based on pro-rata percentages of requested funding. As a result, county plan submissions can often be overly-robust in an effort to maximize allocations from the limited funding pool.

Yet fund administration issues are far overshadowed by the growing crisis in overall funding. Funding inadequacies arise in several different ways. First, the adoption of the flat rate fee structure, coupled with the absence of any mechanism for regular adjustment, did not envision the potential for recurring capital costs, the expansion of service levels based on volume, nor the general rise in the cost of providing service. Still, counties have managed to build and maintain the system on a fee rate and structure that has not materially changed in 25 years.

The Legislative Budget and Finance Committee, in its 2012 911 system report, found that the fee now covers just 71 percent of system costs, and that the initial rates, if adjusted for inflation, should be between \$1.72 and \$2.58. We note parenthetically our disagreement with the LBFC conclusion that the inflation-adjusted wireless and VoIP rates should be \$1.19 and \$1.04 respectively; in fact, when those fees were adopted the providers insisted that rates create no competitive advantage, and so the \$1.00 established for each actually reflects the least-common-denominator from 1990. On that basis, wireless and VoIP inflation rates should be \$1.72 as well.

Second, at original enactment, there was a presumption that there would be initial capital costs of installing systems, but there was no recognition of the shelf life of equipment or the likelihood of regular changes in technology. Most equipment is now replaced on a cyclical basis, at minimum when the vendor deems the system old enough that a drop-dead date is set for discontinuing system support. Similarly, there was no anticipation of technological change, and so the installation of E-911 locator systems, along with the attendant personnel costs attached to the higher calls-per-incident ratio, were unexpected.

Third, changes in market as well as market saturation have caused overall collections to plateau and, in recent years, to actually erode. The number of businesses and households in Pennsylvania is relatively static, and the Commonwealth is at or near the saturation point in the net number of subscribers for wireless. At the same time the rapid public adoption of wireless in the 1990s caused an equally rapid reduction in wireline phones, replacing corresponding \$1.25 to \$1.50 wireline fees with \$1.00 wireless fees in half the state. Likewise VoIP, rather than adding new lines, has become a direct replacement for wireline; its fee trade-offs are comparable but the fiscal effect is greater due to VoIP prevalence in the business sector.

As a result of all of these factors, the current fee structure fails to meet the original intent of providing funding adequate to develop, operate and maintain the system. The difference is made up exclusively from county property tax dollars, an amount that has begun to grow at a rapid and unsustainable rate.

Emerging Fiscal Challenges

Apart from a stagnant fee structure and a stagnant market against which the fee is assessed, the 911 system faces technology challenges, as well as challenges of a changing communications marketplace.

The external technological challenge for 911 is to maintain currency in its capabilities to handle next generation communications. We have invested in our capabilities to handle wireless and VoIP calls and locate the call origins. We are now deploying capability to receive text messages. Our challenge in the near horizon is next generation (NG911) technology, including video, non-human (e.g. home and business monitoring systems, OnStar, and others), or non-telephonic (e.g. iPad or Skype) devices, and other as-yet unimagined sources. The public benefit of being able to accept and process these contacts, and dispatch and manage incidents based on their capabilities, is incalculable, but equally incalculable for now is the price tag attached to doing so.

We also have to understand and anticipate changes in the communications marketplace. Already we are seeing changes in device usage, billing methodologies, and communications methodologies that dilute or skirt the existing fee structure. For example, what appears to our subscriber-fee based system to be a three-line VoIP customer may actually have 300 caller devices behind it. Similarly, magicJack, Skype, iPod Touch, and comparable devices may not have an associated phone number or subscription base to trigger the subscriber fee. And communication devices that are wireless in one context but connect through broadband in another blur the lines of fee administration.

Cost Savings Opportunities

While changing technology presents challenges, it also presents clear opportunities. We can maintain our status as a leading state in provision of comprehensive 911 service by leveraging new technologies – both to increase scope of service, and to provide service efficiencies. We already have the fewest PSAPs per capita of any large state, and we have several counties that contract with neighbors to provide 911. We have two active projects deploying a common broadband backbone among groups of counties, which allow them to use fewer switches (interfaces with the telephone system), improve critical system redundancies, and serve as back-up to each other, and under PEMA guidance all of the remaining counties have completed or undertaken studies aimed to do the same. We are also engaged with PEMA in comprehensive

NG911 planning, both to anticipate and determine system needs, and to find opportunities to leverage technology to improve system efficiencies.

Counties' assumption of 911 responsibilities also results in cost savings in one way that is not normally acknowledged. In most other states, 911 services are more broadly dispersed, provided by a mix of county and municipal systems. By contrast, our model almost from inception in 1990 consisted of county-based PSAPs, coupled with a corresponding predominance of county, rather than responder, dispatch. County dispatch has become almost universal in recent years; a few years ago Allegheny County assumed dispatch for the City of Pittsburgh while last year Dauphin County assumed dispatch for Harrisburg and Cumberland County assumed dispatch for Carlisle. The bottom line is that municipalities' police departments and fire companies, and EMS responders, benefit directly from the system and no longer have to bear this cost.

Recommendations: Operational and Administrative

House Bill 911 constitutes a full rewrite of the 911 Public Safety Emergency Telephone Act. It includes comprehensive revision of governance mechanisms, accountability mechanisms, technology references, distribution of fees, and rate of fees, and is intended to recognize that the commonwealth and counties need not just to maintain current systems, but to invest in the future response capabilities based on technologies as well as citizen and corporate expectations.

It improves administration by removing the three silos in existing law that treat wireline, wireless/prepaid wireless and VoIP as separate technologies for planning, funding, and audit purposes. While development, deployment, upgrade, maintenance, and operation of 911 systems remains a local responsibility, under local ownership and control, PEMA gains strength as a planning, regulatory, approval, funding disbursement and oversight body.

A new 911 Board is established, replacing the existing advisory committees and composed of a cross section of professionally-competent state, local, and provider interests, along with members of the General Assembly, providing PEMA with advice and support for planning, funding disbursement, and funding accountability.

For the time being, the wireline, wireless, prepaid wireless, and VoIP subscriber funding system is maintained, along with clarified and expanded language and processes on fee remittance. However, rather than the current fragmented fee distribution system (wireline and VoIP funds directly to county of billing address and wireless funds to PEMA for redistribution based on county costs determined through plan/grant submission), funds will all be channeled through the state. Although funds flow through the state, all of the funds except a small PEMA administrative fee are ultimately disbursed to the counties.

The majority of funds will be distributed quarterly, primarily on a formula basis. A formula distribution gives counties a defined amount that provides annual budget certainty while also serving as an incentive to manage within available dollars; counties spending above available amounts do so knowing that the difference comes from the county general fund.

The formula distribution in the current bill consists of a flat 5 percent uniformly divided among the counties (including the two city-based systems), 75 percent to counties in formula distributions, 12 percent to competitive incentive grants for consolidation and system

efficiencies, six percent for joint state-county development of a common system broadband backbone, and two percent to PEMA for 911 administration and support.

The formula for the 75 percent distribution is to be arithmetic and established by PEMA with the advice of the 911 Board, with regular periodic review. It is to fairly and proportionately reflect county and regional 911 system needs and must consider and may include factors such as base level costs, population, call volume, and extenuating factors such as topography, population density, and special hazard exposures. Because it will take some minimum amount of time for the 911 Board to develop a formula, in the interim funds are distributed based in part on relative prior wireline and VoIP collections and in part on relative historic expenditure reports. A short term hold-harmless and a permanent anti-windfall provision are included.

The bill includes a number of reforms to promote system efficiency. PEMA and the 911 Board are required to develop state-of-the-art standards for 911 systems. Incentives are provided for multi-county deployment as well as system efficiencies through technology upgrades and shared background services. Specific planning requirements and funding set-asides are established to develop a shared broadband backbone for the system, which taken together reduce requirements for county switches, improve operability, facilitate system backup and redundancies, and reduce system costs. And the funding distribution is changed from a de facto competitive grant basis to a formula basis, encouraging tighter planning and budgeting at the county level.

PEMA and the 911 Board are given two years to develop and submit a report and recommendations on the impacts of current and anticipated technological and market changes on the provision of 911 communications service, including the structure and adequacy of the 911 surcharge and 911 fund. We anticipate that the study will include review and recommendations on the broadband percentage-based proposal offered in the 2014 PEMA draft.

Recommendation: Fee Rate

Any time the proposal is discussed, the one topic that requires elaboration is the proposed change in the rate of the monthly subscriber fee, and so this section will elaborate on the rate, basis, and rationale of the proposed rate.

As indicated at the Committee's February 18 hearing, to meet current and near-term fiscal needs, CCAP proposed increasing the monthly subscriber rate by between \$.50 and \$1.00, for a new uniform rate of \$2.00. Instead, the House bill sets the fee at a uniform rate of \$1.65, a determination made by the sponsors based on commentary in committee and elsewhere.

We are asking this Committee and the Senate to consider our proposed rate, based on our identification of current and anticipated system needs. While we do not have a clear means to definitively gauge House willingness to concur in a higher rate, we think it indicative in some sense that the House defeated a floor amendment to reduce the bill's proposed \$1.65 to \$1.50 on a solid vote of 55 to 135.

Going forward, CCAP supports inclusion of an inflation adjuster and has language if that route is viable. Currently, the draft relies on a four year sunset to spur legislative review of the rate. At the same time, a concurrent requirement for the 911 Board and PEMA to study and make

recommendations on system structure and funding opens the door for consideration of a broadband percentage-based fee system, comparable to that proposed by PEMA in its 2014 draft.

There are compelling reasons to consider the fee at the rate counties have proposed:

- Counties have been good stewards of the existing fee.
- There is a clearly defined need.
- There are only two funding sources for the 911 system: The 911 fee and the county property tax.
- The public understands and accepts the subscriber surcharge.
- The fee structure is efficient and equitable.
- Any lesser fee would have negative consequences.
- It is a simple matter of equity.

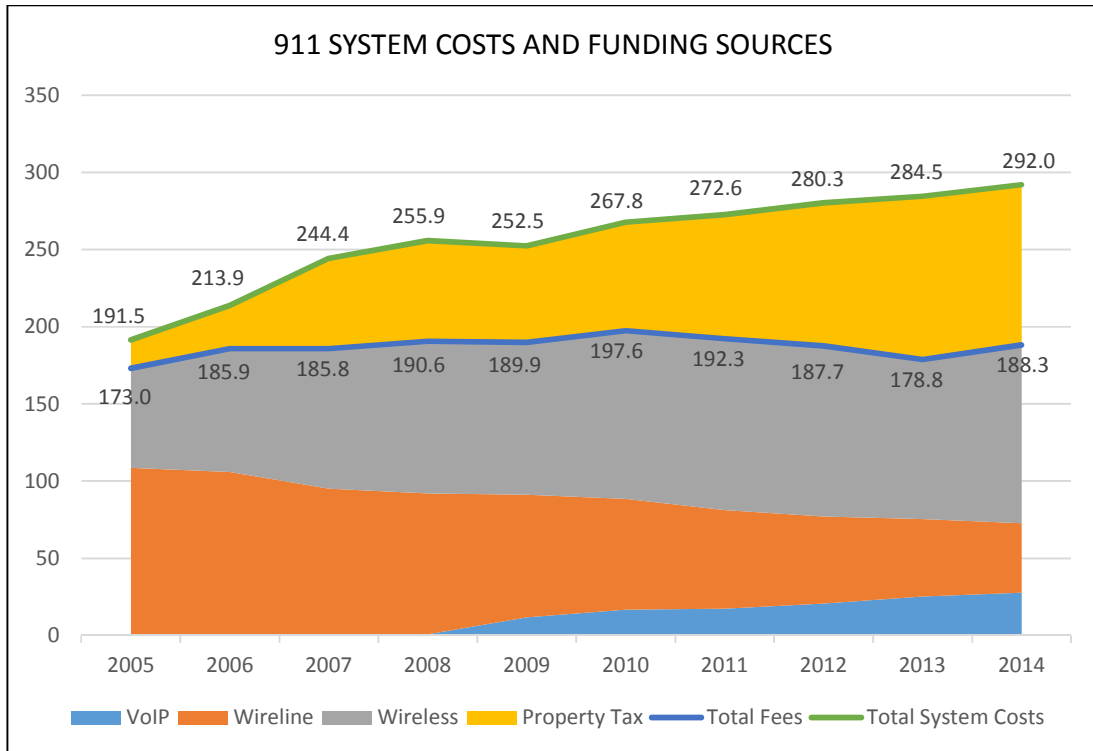
Counties have been good stewards of the existing fee. Prior to counties' assumption of the responsibility in 1990, the 911 system did not exist in any practical way, yet within five years of the mandate counties had 911 deployed virtually state-wide. Moreover, counties from the outset used a centralized call-taking model and as a result Pennsylvania has among the fewest PSAPs per capita of any large state. Counties also began early to assume the dispatch role, which created system efficiencies and reduced responder costs.

Pennsylvania's counties were among the earliest in deploying E-911 location systems, and continue to lead nationally in coverage rates and compliance with national standards. Counties are also incorporating elements of Next Generation 911 (NG911), including development of shared broadband backbones and incorporation of text-to-911.

There is a clearly defined need. Counties have achieved one of the best systems in the nation, while doing so on the same \$1.00 to \$1.50 monthly subscriber fee established in 1990. But like any rate that has remained unchanged for any length of time – let alone a quarter century – rising system costs began to erode, and have now overwhelmed, the available funding.

The problem is compounded because, of the three funding mechanisms available, one is in a pitched decline (wireline) while the other two are reaching market saturation. In fact, as the following chart shows, while system costs continue to rise, the total revenues from the current funding stream peaked in 2010 and are now dropping (some of the causes for this are noted earlier in this testimony). Despite these challenges, there has been no rate adjustment since 1990; even the wireless and VoIP fees, added in later years, were keyed to the 1990 wireline rates.

Moreover, the \$1.65 currently in H.B. 911 may not fully meet current need, and certainly will not keep pace with future need as requirements mount to roll out NG911 – a seemingly self-evident conclusion when considering it amounts to as little as a \$.15 increase for some subscribers, after a span of 25 years from the fee's inception.



And more to the point, the shortfall, quite simply, is being made up by county property taxes, rising from \$18.5 million in 2005 to \$103.7 million in 2014, nearly 36 percent of total expenditures – and this does not include disallowed costs such as bricks-and-mortar, a portion of salaries and training, and some overhead, nor does it include costs such as major capital purchases that some counties choose not to report on an annualized basis.

There are only two funding sources for the 911 system: The 911 fee and the county property tax. Some opponents of the fee and the proposed rate cite the LBFC study’s observation that the Pennsylvania subscriber fee and our subscriber fee collections are already among the highest in the nation. In context though, this is understandable in that the policy choice made in 1990 was to fund 911 through the fee. Unlike other states, where municipalities, the state, and sometimes even communications companies also bear part of the system costs, Pennsylvania’s system is funded from just the 911 subscriber fee and, to the extent that is not sufficient, the county property tax.

The reliance on just the subscriber fee was a policy choice in 1990, and explains Pennsylvania’s comparative rate against other states. And we note specifically that the Commonwealth itself does not contribute, and never has contributed, anything from the general fund for the 911 system. Even PEMA’s 911 activities are supported from the subscriber fee.

The public understands and accepts the subscriber surcharge. Access to 911 is a public necessity, and provision of highest-quality, highest-standards 911 is a public expectation. The same \$1.00 to \$1.50 has appeared on telephone subscribers’ monthly bills for nearly 25 years. The \$2.00 proposal increases that fee by just \$.50 to \$1.00 per month, the first increase in those 25 years. We know the public understands the value of the service they receive, and can

appreciate the value, compared to life and property, of what county 911 systems deliver at such a remarkably low cost.

The fee structure is efficient and equitable. The 911 system is about communications, and the fee structure, based on access to communications, has the closest possible nexus to those who use the service. The add-on to the monthly communications bill or the prepaid wireless transaction is an incremental cost, unlike an annual tax bill. It is a dedicated fee, unable to be used for any other governmental purpose under current or proposed law. It is efficiently collected and remitted, with low overhead.

Other fee structures have been proposed recently, including per capita and per parcel fees. While counties would appreciate local options, each of these alternatives comes with serious reservations regarding both efficiency and equity. Each would require establishment and maintenance of a new assessment roll, as well as new billing and collection systems. On a practical basis, neither could be collected as a stand-alone monthly bill, so each would be a yearly assessment. Unlike the subscriber surcharge, which is proportionate to number of access lines, a per capita bill has no bearing on an individual's access, and it wholly relieves the business community from payment. Similarly, a per parcel levy could actually be regressive when compared either to line count or to nature of the property and its ownership. Each is also inequitable in its utility to counties; while they keep funds local, their capacity to generate meaningful funds diminishes in smaller, less densely populated counties.

Any lesser fee would have negative consequences. The original law promised counties a fee system that would cover the costs of providing 911 services; the PUC-based rate-making mechanism to accomplish this was discussed earlier in this testimony. The \$2.00 proposed rate restores this promise. On the other side, a lesser rate would have immediate consequences; first, to assure that no county actually experienced a reduction in funding, it became necessary for the purpose of introducing H.B. 911, with its \$1.65 rate, to amend the original proposal's distribution formula to reduce the percentages allocated to the incentive fund and the fund for a state-wide broadband backbone. The proposed amendment now under development in Committee takes further steps in this direction.

The greater long-term impact is that lower funding rates prevent us from moving forward with our needed investment in NG911 technologies. While it is impossible at this juncture to estimate NG911 deployment costs, we know that the demand for those services, and the capability of delivering those services, is on the near horizon. Video, non-human calls, and other technological means can improve the outcomes for those in need, and improve the safety and efficiency of our responders. But if we do not build capacity into our funding system, we cannot assure these services will be available in any timely fashion.

It is a simple matter of equity. As noted earlier, the Legislative Budget and Finance Committee's 2011 report suggested that a simple adjustment of 1990's dollar for 1st class, 2nd class and 2A counties, \$1.25 for 3rd through 5th class counties, and \$1.50 rate for 6th through 8th class counties would yield \$1.72, \$2.15 and \$2.58 respectively. On an equitable basis, the \$2.00 fee we propose can be justified, let alone based on the additional unanticipated costs counties have absorbed to accommodate technologies that did not exist when the original structure was established.

The chart on the next page was developed to illustrate where a sample of subscriber rates would fall. It includes the three wireline rates (\$1.50 for 6th to 8th class counties, \$1.25 for 3rd through 5th class counties, and \$1.00 for first class, 2nd class and 2A counties). The \$1.00 column represents the wireless/VoIP rates as well. The last column makes similar calculations on the \$1.06 blended rate that the communication providers discussed at the February hearing.

Sample subscriber rates are each charted against inflation since 1990, showing what year constitutes the break-even for each proposed rate. For example, examining the low end of proposed rates that have been discussed, \$1.50, every county would be at the equivalent of 2005 for their wireless and VoIP rates, while the third through fifth class counties would be up to only 1996 for their wireline and sixth through eight class counties would still be at 1990 where they started. Even the blended rate only catches up to 2003.

Similarly, the corresponding benchmarks for the bill's current \$1.65 are 2008, 2000, and 1993, and 2006 at the blended rate.

By contrast, at our proposed \$2.00, 6th through 8th class county wireline fees at least get to 2000 inflation, while 3rd through 5th get as far as 2007. But importantly, the wireless/VoIP rate translates out to a projected 2018 – just in time for the bill's sunset.

As noted above, this all accounts only for inflation; it does not address county 911 systems' other cost factors such as adaptation to new technologies, or the increased calls per incident (and attendant personnel costs) generated by wireless.

Conclusion

Counties are proud of their role in providing this critical public service, but need a statute and funding mechanism that allow them to continue doing so at the level the public expects and deserves. The draft legislation now under consideration would meet this objective, and we look forward to working with the Committee to make any final adjustments necessary to put it into bill form, and to start it on its path to the Governor's desk ahead of the June 30 sunset.

Following the chart on the next page is the outline of issues to be reviewed in the oral presentation before the Committee.

911 SUBSCRIBER FEE INFLATION ANALYSIS

YEAR	CPI	PCT INC	\$1.50	\$1.25	\$1.00	\$1.06
1990	130.7		\$1.50	\$1.25	\$1.00	\$1.06
1991	136.2	4.2%	\$1.56	\$1.30	\$1.04	\$1.10
1992	140.3	3.0%	\$1.61	\$1.34	\$1.07	\$1.14
1993	144.5	3.0%	\$1.66	\$1.38	\$1.11	\$1.17
1994	148.2	2.6%	\$1.70	\$1.42	\$1.13	\$1.20
1995	152.4	2.8%	\$1.75	\$1.46	\$1.17	\$1.24
1996	156.9	3.0%	\$1.80	\$1.50	\$1.20	\$1.27
1997	160.5	2.3%	\$1.84	\$1.54	\$1.23	\$1.30
1998	163.0	1.6%	\$1.87	\$1.56	\$1.25	\$1.32
1999	166.6	2.2%	\$1.91	\$1.59	\$1.27	\$1.35
2000	172.2	3.4%	\$1.98	\$1.65	\$1.32	\$1.40
2001	177.1	2.8%	\$2.03	\$1.69	\$1.36	\$1.44
2002	179.9	1.6%	\$2.06	\$1.72	\$1.38	\$1.46
2003	184.0	2.3%	\$2.11	\$1.76	\$1.41	\$1.49
2004	188.9	2.7%	\$2.17	\$1.81	\$1.45	\$1.53
2005	195.3	3.4%	\$2.24	\$1.87	\$1.49	\$1.58
2006	201.6	3.2%	\$2.31	\$1.93	\$1.54	\$1.64
2007	207.3	2.8%	\$2.38	\$1.98	\$1.59	\$1.68
2008	215.3	3.8%	\$2.47	\$2.06	\$1.65	\$1.75
2009	214.5	-0.4%	\$2.46	\$2.05	\$1.64	\$1.74
2010	218.1	1.6%	\$2.50	\$2.09	\$1.67	\$1.77
2011	224.9	3.2%	\$2.58	\$2.15	\$1.72	\$1.82
2012	229.6	2.1%	\$2.63	\$2.20	\$1.76	\$1.86
2013	233.0	1.5%	\$2.67	\$2.23	\$1.78	\$1.89
2014	236.7	1.6%	\$2.72	\$2.26	\$1.81	\$1.92
2015	242.7	2.5%	\$2.78	\$2.32	\$1.86	\$1.97
2016	248.7	2.5%	\$2.85	\$2.38	\$1.90	\$2.02
2017	254.9	2.5%	\$2.93	\$2.44	\$1.95	\$2.07
2018	261.3	2.5%	\$3.00	\$2.50	\$2.00	\$2.12
2019	267.8	2.5%	\$3.07	\$2.56	\$2.05	\$2.17
2020	274.5	2.5%	\$3.15	\$2.63	\$2.10	\$2.23
2021	281.4	2.5%	\$3.23	\$2.69	\$2.15	\$2.28
2022	288.4	2.5%	\$3.31	\$2.76	\$2.21	\$2.34
2023	295.7	2.5%	\$3.39	\$2.83	\$2.26	\$2.40
2024	303.0	2.5%	\$3.48	\$2.90	\$2.32	\$2.46
2025	310.6	2.5%	\$3.56	\$2.97	\$2.38	\$2.52
2026	318.4	2.5%	\$3.65	\$3.04	\$2.44	\$2.58
2027	326.3	2.5%	\$3.75	\$3.12	\$2.50	\$2.65

SAMPLE SUBSCRIBER RATES
\$1.50
\$1.65
\$1.75
\$2.00
\$2.25
\$2.50

Consumer Price Index for All Urban Consumer (CPI-U); US City Average, all items; 1982-1984=100

2015 to 2027 estimates based on average increase 1990 to 2014

CCAP 05-13-15

**Senate Veterans Affairs and Emergency Preparedness Committee
Oral Commentary on H.B. 911, Proposed Amendments, and Proposed Alternatives
May 13, 2015**

House Bill 911 meets our three primary objectives

- Improving 911 system administration by combining silos and preparing for next generation technologies;
- Sorting out governance mechanisms to respect counties' role as providers of the system while balancing our broader interests of coordination statewide;
- Working toward a sustainable and equitable fee and attendant financing structure.

House Bill 911 key elements

- Statewide planning with objective of meeting and maintaining currency in 911 system standards, and preparation for and implementation of Next Generation 911 (NG911)
- Increase subscriber fee to better meet costs of providing 911 service
- Move most of the fee distribution away from de facto competitive grants, toward quarterly formula-based distribution taking into account individual county needs
- Clarify and expand definitions, collection standards, and audit processes for the subscriber fee
- Institute a 911 Board to provide strong county and provider involvement in planning, design and administration of the system, formula, and fee

Subscriber fee

- The subscriber fee is set in H.B. 911 at \$1.65
- CCAP has proposed a fee of \$2.00
- The proposed fee is the first rate increase counties have requested in the 25 year history of providing this service.
- Based on inflation alone, as shown in the chart in our testimony (page 13), the fee should be \$1.97.
- Unlike other states, where municipalities, the state, and sometimes even communications companies also bear part of the system costs, Pennsylvania's system is funded from just the 911 subscriber fee and, to the extent that is not sufficient, the county property tax.
- The reliance on just the subscriber fee was a policy choice in 1990, and explains Pennsylvania's comparative rate against other states.
- The Commonwealth itself does not contribute, and never has contributed, anything from the general fund for the 911 system. Even PEMA's 911 activities are supported from the subscriber fee.
- Because the provision of 911 service relies on just the fee and, when that is inadequate, the county property tax, the 25 year span since establishment of the fee, coupled with decline in wireline usage and leveling off in growth rates for wireless and VoIP, has meant the county property tax backfill has increase substantially (see chart in our testimony, page 10)

Technical amendments

- Discussed with Chairman and staff, and written commentary supplied; discussion continuing with the negotiating team and additional clarifications are being prepared
- Technical accuracy of definitions and collection methodologies
- Liabilities and immunities

Substantive amendment: 911 Board

- Current: PEMA director, PEMA 911 director, representatives of four caucuses, four county commissioners or home rule equivalents, four 911 professionals, four communication service providers, PA State Police (non-voting)
- Senate proposed: Add two additional commissioners/home rule equivalents, and divide the six: 1st class, 2nd class, 2A class, 3rd-4th class, two from 5th-8th class; add two county or regional 911 coordinators, divided as for commissioners; make providers non-voting; add PSP as a voting member; add a full non-voting section, to include among others representatives of the Chiefs of Police, FOP, PSAB, PSATS, PLM, PUC, health services council, APCO, NENA, others
- Commentary: Agree with the expansion of voting membership of the board, with reservations about the PSP vote; suggest the providers remain as voting members but with requirement to abstain on conflict of interest; no conceptual objection to addition of non-voting members

Substantive amendment: Fee distribution

- Proposed: 5% equal quarterly distribution; not less than 70% arithmetic formula distribution; 15% grants for system improvements including functional consolidation; up to 8% grants for development of ESInet backbone; 2% PEMA administration
- H.B. 911: 5% equal quarterly distribution; not less than 75% arithmetic formula distribution; 12% grants for system improvements including functional consolidation; up to 6% grants for development of ESInet backbone; 2% PEMA administration
- Senate proposed: 3% equal quarterly distribution; 80% arithmetic formula distribution with first 30% based on population and call volume; 15% grants for system improvements including functional consolidation and for development of ESInet backbone; 2% PEMA administration
- Commentary: Agree with the proposed revision to fee distribution

Substantive amendment: Arithmetic formula distribution

- H.B. 911: Established by PEMA; fairly and proportionately reflect 911 system needs; shall consider and may include base level costs, population, call volume, extenuating factors (topography, concentrated exposure, cyclical exposure)
- Senate proposed: Established by PEMA; fairly and proportionately reflect 911 system needs; 30% to be distributed based on population and call volume; 50% shall consider and may include base level costs, population, call volume, extenuating factors (topography, concentrated exposure, cyclical exposure)
- Commentary: Agree with the proposed arithmetic formula distribution, and likely to see part of the 50% distribution based on population and call volume as well

Substantive amendment: NG911 inventory

- Late House floor amendment, requiring inventory of county readiness for NG911, along with development of a plan and report to the General Assembly
- Several technical and practical deficiencies: Definition of “Next Generation 911” inappropriate for context; improper inclusion of PSP; redundant with earlier provision requiring PEMA to develop NG911 plan; short time frame for inventory turn-around; inappropriate and unnecessary penalties on counties for non-compliance
- Senate proposed: Maintain inventory requirement and extend to PSP and state radio network, address technical and practical deficiencies
- Commentary: Accept the intent, but will need to closely review language

Discussion point: Integration with FirstNet, PA STARNet

- Scope of integration of communications system with 911 legislation
- Proper placement and concentration of effort in context of rewrite of Title 35 Emergency Management Services Code

Discussion point: Addition of a county option fee

- CCAP membership generally believes the primary funding source should be the subscriber surcharge
- 911 is a communications-drive service, and the subscriber fee was determined in 1990 – and remains today – the closest funding nexus to this service
- The two-year study required of PEMA and the 911 Board is to comprehensively address the funding system in consideration of communications technologies and markets, and in that context local option could be evaluated as a part of an integral funding plan

Discussion point: Alternative funding mechanism (based on cosponsorship memoranda)

- Local control
- Equity issue: Disparate local bases county-to-county
- Equity issue: Taxpayer to taxpayer
- System objectives: Uniformity in goals, planning, and administration
- Collection: Administrative mechanisms
- Collection: Efficiency
- Collection: Tax collectors and municipalities
- Remittance to PEMA