THE FUTURE OF 911 FUNDING

Presentation to the
NCSL Task Force on State and Local Taxation

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Overview

• Overview of wireless consumer taxes & fees
• Trends in 911 funding, 911 fees, and funding pressures
• CTIA 911 funding principles
• Is it time to consider other 911 funding sources?
Federal/State/Local Average Wireless Tax Rates vs. Sales Tax Rates, 2004–2015
Federal/State/Local Average Wireless Tax Rates vs. Average Bill, 2004–2015
## 911 Fee Increases Since 1/1/2015

<table>
<thead>
<tr>
<th>Implemented Fee Increase</th>
<th>Proposed Fee Increase</th>
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<tbody>
<tr>
<td>Kansas</td>
<td>Georgia</td>
</tr>
<tr>
<td>Indiana</td>
<td>Kentucky</td>
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<tr>
<td>Illinois</td>
<td>Mississippi</td>
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<tr>
<td>Massachusetts</td>
<td>Missouri</td>
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<tr>
<td>New Hampshire</td>
<td>Oregon</td>
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<tr>
<td>Pennsylvania</td>
<td>Utah</td>
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<tr>
<td>Tennessee</td>
<td>West Virginia</td>
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Why So Much 911 Fee Activity?

- Trends in wireless and wireline subscribership mean that rapid funding growth from 2000 to 2010 has ended.
- States and PSAPs have expanded the eligible uses for 911 fee revenues, placing additional pressure on 911 funds.
- Some states have “raided” 911 fund balances due to budget pressures; these funds were being banked to fund capital costs for new technologies like Next Generation 911.
- NG911 and “FirstNet” may seek new funding without a fundamental examination of the cost structure of the 911 program.
Telephone Subscriber Growth vs. CPI
(Cumulative Percentage Growth Since 2000)
NG911 Funding

“Next Generation” 911 (NG911)

- Internet Protocol systems that allow text, voice, video, and other data to be transmitted to and from 911 centers and first responders

- Improved emergency response

- Potential to allow for centralization and consolidation of 911 centers
NG911

- IP-enabled NG 911 systems allow for flexibility, scalability, redundancy that reduces the need for 911 call centers in every county

- Resistance to consolidation by local governments

- Once transition to NG911 is complete, there should be operational cost savings
FirstNet

- Nationwide, interoperable public safety broadband communications network, separate from public networks

- Feds providing funding and spectrum but states may also incur costs

- If states choose to “opt out” they will need funds to build their own networks

- Utah legislation to create a new “Emergency Services Telecommunications Charge” of 71 cents per month to build a state radio network did not pass; fee would have been in addition to the existing statewide 70 cents per month 911 fee
Summary of Funding Pressures

• Wireless subscribership flat & landline declining

• State statutes have difficulty keeping up with new technologies, resulting in disparities in treatment of consumers

• NG 911 and possible FirstNet funding pressures

• Telecom consumers are already bearing an unfair burden for funding federal, state, and local programs
CTIA 911 Funding Principles

- Any fees should be borne by end-users
- Single, state-administered, state-collected fee
- Rate should be set by legislature
- Funds should be spent only on 911 systems
- Locals PSAPs should be subject to audits and legislative review
- PSAPs should seek ways to improve efficiency, lower costs before seeking rate increases
- Ultimately, funding should be shifted to the General Fund
Funding Options

Status quo – raise 911 fees on existing customers

• Pro
  • Known revenue source, no major policy changes needed

• Con
  • Consumers already burdened
  • Exacerbate consumer shift to alternatives
  • Equity issues
Funding Options

Eliminate 911 fees and fund the system from general fund appropriations

- Pros
  - Improved efficiency from a statewide system
  - More accountability for expenditures
  - Broad based revenue source avoids fees trying to “chase technology”

- Cons
  - 911 has to compete with other programs
Funding Options – FCC Task Force


- Working Groups: Cybersecurity, PSAP Architecture, and Optimal Resource Allocation (Working Group 3)

- Working Group 3 Chaired by WA PUC Chair Phil Jones
  - Extremely limited telecom industry representation, no legislative participation
  - Working Group 3 refused input, refused changes or amendments to document, closed process

- The work of the Task Force focused on three topics:
  - Prepaid 911 revenues
  - Broadband Connection Fee
  - Broadband Capacity Based Fee
TFOPA WG3 Funding Options

- **Prepaid 911 Revenues:** Early Task Force reports contained dubious statements inferring that the prepaid POS legislation was a failure. The Final Report recommended that states that have not adopted the report should but that further study was needed to verify that revenues are in line with expectations.

- **Network Provider Fee:** Recommended that network providers pay a 911 fee for each network or broadband connection.

- **Broadband Connection Fee:** Charge 911 fees based on upstream/bandwidth capacity. Higher broadband users would pay multiple 911 fees.

  - **Pros**
    - Large new untapped revenue source
    - No duplicative 911 fees for multiple devices accessing broadband connection.

  - **Cons**
    - May violate ITFA
    - Makes broadband access more expensive
    - Broadband connections by themselves can’t access 911
    - There is no relationship between broadband capacity and 911 system
What’s Next for TFOPA?

Local State Government Advisory Committee on 911 (LSAG):

- Intent is to create a “Core Cadre” of technical 911 experts who can advise over the medium to long term;
- Based on Local, State Government, and FCC officials;
- Active role as contributors by industry, vendors, and others in the 911 ecosystem;
- Subject to the usual FACA rules of the FCC;

- Initial scope of work:
  - Enhanced Quality of Data (For Net 911 Reports)
  - Study further the Network Connection Fee
  - Study further the Pre-Paid Wireless issues
  - Assist in Outreach and Education
Summary

- 911 fee increases may not be sustainable as technology changes

- Shifting funding to a new tax on broadband capacity would be unpopular, unfair, and may violate ITFA

- Rather than imposing a new round of 911 fee increases, states should consider shifting funding for the 911 system to general fund revenue sources
# Revenue Neutral Sales Tax Rate

## Increments to Replace 911 Fee Revenue

<table>
<thead>
<tr>
<th>State</th>
<th>Current 911 Fee</th>
<th>911 Revenue</th>
<th>Sales Tax Revenue</th>
<th>Sales Tax Revenue Per 1% Tax Rate</th>
<th>Current Sales Tax Rate</th>
<th>Revenue Neutral Sales Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee</td>
<td>$1.16 / mo.</td>
<td>$102,500,000</td>
<td>$6,378,049,430</td>
<td>$911,149,919</td>
<td>7.00%</td>
<td>0.11%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$0.60 / mo.</td>
<td>$73,774,000</td>
<td>$5,646,647,460</td>
<td>$1,188,767,886</td>
<td>4.75%</td>
<td>0.06%</td>
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<tr>
<td>Florida</td>
<td>$0.40 / mo.</td>
<td>$108,300,000</td>
<td>$22,749,000,000</td>
<td>$3,791,500,000</td>
<td>6.00%</td>
<td>0.03%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$1.65 / mo.</td>
<td>$307,000,000</td>
<td>$9,782,843,180</td>
<td>$1,630,473,863</td>
<td>6.00%</td>
<td>0.19%</td>
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<tr>
<td>Texas</td>
<td>$0.50 / mo.</td>
<td>$213,215,483</td>
<td>$27,385,709,000</td>
<td>$4,381,713,440</td>
<td>6.25%</td>
<td>0.05%</td>
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<tr>
<td>Virginia</td>
<td>$0.75 / mo.</td>
<td>$55,213,204</td>
<td>$3,662,417,350</td>
<td>$732,483,470</td>
<td>5.30%</td>
<td>0.08%</td>
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<tr>
<td>Washington</td>
<td>$0.95 / mo.</td>
<td>$95,887,087</td>
<td>$8,273,522,600</td>
<td>$1,272,849,631</td>
<td>6.50%</td>
<td>0.08%</td>
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<tr>
<td>Massachusetts</td>
<td>$1.25 / mo.</td>
<td>$124,475,492</td>
<td>$5,684,137,400</td>
<td>$909,461,984</td>
<td>6.25%</td>
<td>0.14%</td>
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