

**Local Mandate Fiscal Impact Estimate
 Kentucky Legislative Research Commission
 2016 Regular Session**

Part I: Measure Information

Bill Request #: 807

Bill #: HB 585 HCS

Bill Subject/Title: AN ACT relating to 911 emergency services and making an appropriation therefore.

Sponsor: Rep. M. King

Unit of Government: City County Urban-County
 Charter County Consolidated Local Unified Local
 Government

Office(s) Impacted: All local government entities involved in providing 911 emergency services

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

Part II: Purpose and Mechanics

Section 3 of **HB 585, as introduced**, amends KRS 65.760 to require an Interconnected Voice over Internet Protocol (VoIP) provider to collect 911 fees and remit them to the local government. Section 3 also prescribes how a local government shall spend all fees raised under Section 3.

Section 5 amends KRS 65.7623 to change the name of the Commercial Mobile Radio Service Emergency Telecommunications Board of Kentucky to the Kentucky 911 Services Board (Board). The section also increases the number of members from 10 to 13, 11 of whom shall be appointed by the Governor. Most importantly, the mayor member shall be removed. However, the Governor shall appoint two members serving as city officials, one of which shall be an elected county official, from a list of four nominees submitted by the Kentucky League of Cities, and the Governor shall appoint two county officials, both of which shall be elected county officials, from a list of four nominees submitted by the Kentucky Association of Counties.

Section 7 amends KRS 65.7627 to require that the commercial mobile radio service (CMRS) service charge levied under Section 8 shall generate revenue equitably from prepaid and postpaid CMRS connections. Furthermore, all revenues collected under Section 12 shall be deposited directly into the CMRS fund, and the Board shall direct disbursement from the fund according to the provisions of Section 10.

Section 8 amends KRS 65.7629. Unless otherwise directed by the General Assembly, beginning in 2020, every four years the Board shall adjust the CMRS service charge to reflect any increase in the Consumer Price Index for all urban consumers. Any adjustment shall be effective on July 1 and shall be implemented through the promulgation of an administrative regulation. Section 8 also requires that audits ordered by the Board shall be provided not only to a public safety answering point (PSAP) but also to the local governments responsible for the formation of a PSAP.

Section 9 amends KRS 65.7630. Every local government agency having jurisdiction over a public safety answering point (PSAP) shall provide to the Board each fiscal year the amount of revenue available or budgeted for 911 services from various sources.

Section 10 amends KRS 65.7631 to adjust the apportionment formula for disbursement of money from the CMRS fund and to end cost recovery disbursements for CMRS providers that comply with 911 service requirements.

Section 12 amends KRS 65.7635 to change how a CMRS provider acts as a collection agent for the CMRS fund. For CMRS customers who purchase CMRS services on a prepaid basis or are provided prepaid wireless telecommunications service through the wireless low-income Lifeline program, the CMRS service charge shall be determined according to one of the following methodologies:

1. The CMRS provider shall multiply the CMRS service charge by the number of its active CMRS connections within the Commonwealth each month and shall pay the resulting amount to the Board. For the purposes of this provision, any CMRS connection with a balance remaining that is greater than zero during any day of the month shall be considered active for that month.
2. The CMRS provider shall divide its total earned prepaid wireless telephone revenue received with respect to its prepaid customers in the Commonwealth within the monthly 911 emergency service reporting period by \$20 (rather than \$50 per current law), multiply the quotient by the service charge amount, and pay the resulting amount to the Board.

The HCS makes the following changes.

- **Section 8 no longer provides for the CMRS service charge to be changed every four years to reflect any increase in the Consumer Price Index for all urban consumers.**

- **Section 12 no longer provides for dividing prepaid wireless telephone revenue received in a month by \$20. Rather, the current figure of \$50 is retained. Section 12 also ends the prepaid service charge on January 1, 2017.**
- **Sections 14 to 23 provide for a new prepaid service charge. This will take effect on January 1, 2017.**
- **Section 29 provides for a Lifeline provider to pay a CMRS service charge at the rate of 70 cents per month.**
- **Section 31 provides that Sections 14 to 23, Section 28, and Section 29 of the Act shall take effect on January 1, 2017.**

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 585 HCS on local governments is expected to be a significant positive impact, according to the Kentucky League of Cities (KLC) and the Kentucky Association of Counties (KACO).

According to KLC, in FY 2014, 911 emergency services were funded by local governments, pursuant to KRS 65.760, as follows: 41% (\$32,310,000) from Local Government General Funds, 36% (\$28,127,000) from Landlines, and 23% (\$18,499,000) from Wireless. Local governments had to spend the \$32,310,000, because they were not obtaining enough revenue from Wireless. There were 4,041,000 mobile wireless subscribers and 1,599,000 landlines. Nonetheless, Wireless provided 23% of the funding for 911 emergency services while Landlines provided 36%. KLC believes that the trend of ever less Wireless funding has continued. Therefore, if HB 585 HCS does not gain passage, there will be even less funding from Wireless. Local government General Funds will have to cover the shortfall which will run to tens of millions of dollars each year.

Section 3 amends KRS 65.760 to help local governments raise 911 fee revenue. The section requires an Interconnected Voice over Internet Protocol (VoIP) provider to collect 911 fees and remit them to the local government. This is important, because according to KLC in 2008 there were 200,000 VoIP lines in Kentucky: about 10% of all non-mobile telephone service lines. By 2013, there were 400,000 VoIP lines: about 25% of all non-mobile telephone service lines. Section 3 would increase local government 911 fee revenue by approximately \$9 to \$10 million per annum. (It should be noted that current law (KRS 65.760(3)) permits local governments to fund 911 emergency services through the levy of any special tax, license, or fee not in conflict with the Kentucky Constitution or the state's statutes. The Kentucky Supreme Court ruled in Greater Cincinnati/Northern Kentucky Apartment Association, et al v. Campbell County Fiscal Court (2015 Ky. Lexis 1946) that Campbell County could fund its 911 emergency service through a \$45 annual fee levied upon each occupied individual residential and commercial unit within Campbell County (page 1).)

Section 3 also prescribes how all fees raised under Section 3 shall be spent on 911 emergency services. According to KLC, the section provides more flexibility to public

safety answering points (PSAPs) while requiring expenditures to be related to 911 emergency services.

Section 5 increases local government representation on the Kentucky 911 Services Board (Board). KLC and KACO believe that this increased representation will make the board more sensitive to the political and funding issues related to the provision of 911 emergency services.

Section 7 requires that the CMRS service charge levied under Section 8 shall generate revenue equitably from prepaid and postpaid CMRS connections. According to KLC, prepaid CMRS service connections are paying 39 cents per month rather than the 70 cents per month required under Section 8.

Section 8 of HB 585, as introduced, requires the Kentucky 911 Services Board to increase the CMRS service charge from the current 70 cents per month unless otherwise directed by the General Assembly. Beginning in 2020, every four years the Board shall increase the service charge by the percentage amount of any positive change in the Consumer Price Index for all urban consumers. According to KLC, if the provision had been implemented in 1998 when the service charge was first levied, the monthly rate would be \$1.02 today. So that in 2012, such a provision would have generated an additional \$12 million statewide (KLC). **Section 8 of HB 585 HCS deletes this provision. As a consequence, the financial benefit is lost.**

Section 8 also strengthens the audit provisions which should ensure more accurate financial information and better local government oversight of all aspects of 911 emergency services (KLC).

Section 9 requires every local government, having jurisdiction over one or more PSAPs, to provide information to the Board pertaining to the amount of revenue available or budgeted for 911 services and how the money was spent. The reporting requirement will impose a minimal financial cost on local governments (KLC).

Section 10 sets aside 10% of the total monthly revenues deposited into the CMRS fund for disbursement to provide direct grants, matching money, or other funds to PSAPs as determined by the Board. Importantly, PSAP consolidation is encouraged by increasing the incentive grant from \$100,000 per PSAP (not to exceed \$200,000 per county) to \$200,000 per PSAP (not to exceed \$400,000) per county. PSAP consolidation is also encouraged through prioritizing grants for PSAPs that consolidate.

Section 12 amends KRS 65.7635. Under current law (KRS 65.7635(1)(a) and KRS 65.7635(1)(b)), prepaid wireless providers calculate the CMRS service charge by employing one of two methodologies. Most providers calculate their payments with the subsection (1)(b) methodology rather than the subsection (1)(a) methodology. A service provider divides its total earned prepaid wireless telephone revenue received with respect to its prepaid customers in the Commonwealth within the monthly 911 emergency service reporting period by \$50, multiplies the quotient by the service charge amount, and pays

the resulting amount to the board. Section 12 changes the \$50 to \$20. The change will significantly increase the revenues collected, by as much as 2.5 times the amount currently collected, so long as prepaid wireless providers continue to rely on subsection (1)(b), as amended, rather than subsection (1)(a), as amended, to calculate the CMRS service charge (KLC). **Section 12 of the HCS provides that the current methods for collecting prepaid service charges shall expire on January 1, 2017. Section 12 also does not change the current \$50 figure to \$20.**

Sections 14 to 23 of the HCS create a new method for collecting the prepaid service charge at the point of sale. This service charge should generate \$2.9 million in new revenue on an annual basis.

Section 29 of the HCS requires a Lifeline Provider to pay 70 cents per month for each wireless connection provided to a low income individual who qualifies for the Lifeline program. Since there are 209,000 of these wireless connections in Kentucky, \$1,755,600 additional revenue should be generated on an annual basis.

Section 31 provides that Sections 14 to 23, 28, and 29 shall take effect on January 1, 2017. The January 1, 2017, effective date will make the different parts of the bill mesh.

Data Source(s): Kentucky League of Cities; Kentucky Association of Counties; Kentucky Supreme Court; LRC Staff

Preparer: Scott Varland **Reviewer:** JWN **Date:** 3/22/16