

## 911 Services and Funding

*August 2012*

The number “911” is now synonymous with emergency assistance across the country, but how the system is structured and is funded is still unknown to most of the public. Cities and counties in Kentucky have long struggled with 911 provision and funding. Keeping up with technology advancements as well as increased 911 call volumes has stressed many local governments.

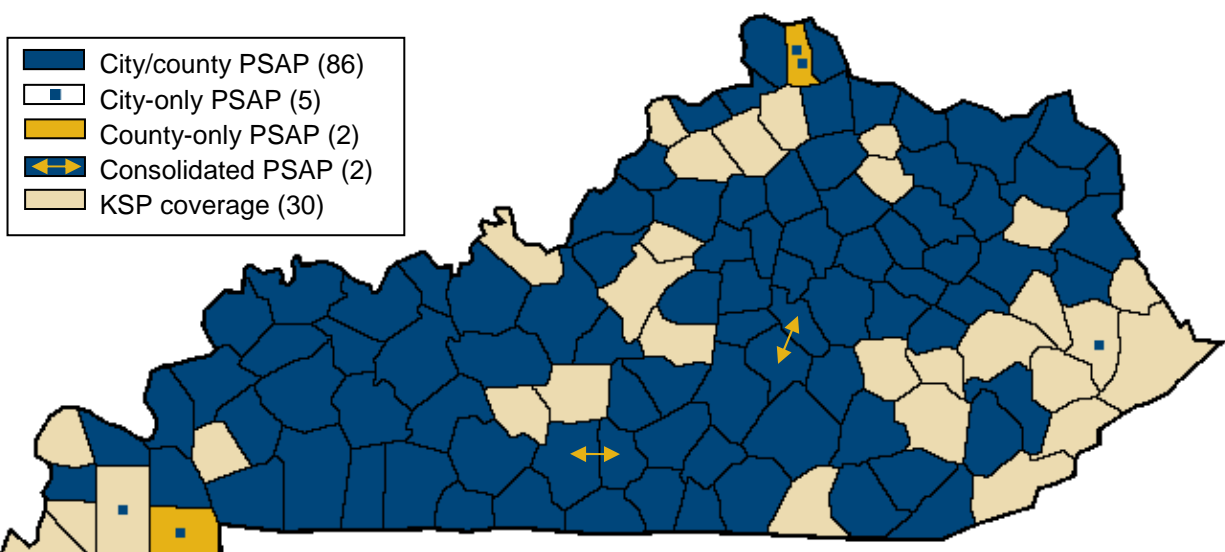
- Local general fund dollars account for 45 percent of local 911 funding.
- Local 911 fees make up 39 percent of the funding, with landline fees as high as \$4.25 per month.
- Kentucky law creates a disparity between prepaid and postpaid mobile wireless subscribers and short changes the 911 system.

### Kentucky's 911 System

Kentucky's emergency dial 911 system is made up of a patchwork of local and state public safety answering points (PSAPs). A certified PSAP has received approval from the state's Commercial Mobile Radio Service (CMRS) Board to receive funding from the statewide 911 fee on mobile wireless services. Certification from the CMRS Board requires a local PSAP to demonstrate that it can handle wireless enhanced 911 calls, which means they can physically locate a 911 caller who is using a cell phone.

There are currently 109 Board-certified PSAPs in Kentucky, including 16 at Kentucky State Police (KSP) posts. Of the remaining PSAPs, 86 answer calls countywide, five are operated by a city government and only answer calls made within the city or cities, and two are operated by a county government that only answer calls made outside city limits. Special noncertified PSAPs are also located at some public universities, airports and military bases within the state.

### Kentucky Certified Public Safety Answering Points (PSAPs)



## Local Funding

Local governments in Kentucky take the lead on funding 911 services. The funding usually comes from two primary local sources: (1) general fund revenues and (2) fees for the service. According to a 2011 survey conducted by the Commercial Mobile Radio Services (CMRS) Board, local general fund dollars accounted for around 45 percent of total 911 funding. Around 39 percent came from fees for the service.

KRS 65.760(3) provides cities and counties with broad discretion on how to raise revenue for 911 centers. In fact, it states: "The funds required by a city, county, or urban-county government to establish and operate 911 emergency telephone service, or to participate in joint service with other local governments, may be obtained through the levy of any special tax, license, or fee not in conflict with the Constitution and statutes of this state..."

Fees are frequently levied on landline phone accounts, meaning anyone with a home or other land-based phone line (e.g., not a cell phone) pays a fee as part of their monthly phone bill. The fees range from \$0.50 to \$4.25 a month, and the average rate is \$1.89 per month. Two counties – Boyd and Wolfe – levy a tax as a percentage of phone rates. Fees often, though not always, apply to voice over Internet protocol (VoIP) services, such as Vonage and similar providers. As of press time, the Kenton County Fiscal Court was considering assessing a monthly 911 fee on electric bills.

**Phone Line Growth/Decline  
in Kentucky: 2000-2010**

Type of Access	December 2000	December 2010	% Change
Total Landlines	2,223,000	1,853,000	-17%
Total Mobile Wireless Subscribers	1,026,000	3,726,000	263%
Total Number of Lines	3,249,000	5,579,000	72%
<i>Figures are rounded to the nearest 1,000 and are from the Federal Communications Commission.</i>			

Between 2000 to 2010, the number of landlines dropped by 17 percent in the state (from 2.22 million to 1.85 million). As that number continues to decline, local governments have been forced to raise 911 fees on landline customers, divert more general fund dollars and/or find other ways to financially support the 911 system.

## State Funding

During the same time that the number of landlines has declined, the number of mobile subscribers has more than tripled. In fact, from 2000 to 2010, the total of mobile subscribers has increased 263 percent (from 1.03 million to 3.73 million). Many consumers have switched from land-based phones to mobile phones, although the growth in the wireless industry has significantly slowed in the past few years.

The primary source of state funding for 911 services comes from a fee charged on mobile wireless (cellular phone) services. In 1998, a monthly fee of 70 cents was added to wireless phone bills, and the rate has not changed despite a few attempts. In 2004, the CMRS Board asked the General Assembly to increase the fee to \$1.00, but no legislation was passed. However, in the following year, the Board asked for a rate decrease to 65 cents per month combined with a change in the funding formula. The Board did not provide any rationale for either of these recommendations.

Based on the statutory formula, the 70-cent 911 wireless fee would result directly in 48 cents for the PSAPs. Since the actual collections are lower than 70 cents per subscriber, then PSAPs only get around 42 cents. This happens because the Board retains the first 2.5 percent of all revenue for administrative costs and places 10 percent of the total funds into the CMRS Grant fund. The remaining money is then equally divided among the PSAPs based on a pro rata formula (equal shares/payments) and a per subscriber formula (volume payments).

Not all wireless providers charge and remit the 70-cent monthly fee per subscriber. In fact, some prepaid providers – those that provide a finite amount of services instead of using monthly plans with long-term contracts – remit far less. According to a 2011 report on 911 services published by the Kentucky Legislative Research Commission, these providers remit an average of 38.5 cents per prepaid device. TracFone, one of the prepaid providers in the state, did not remit any of the 911 fee from November 2003 through September 2009. After that date, they only remitted fees for direct sales.

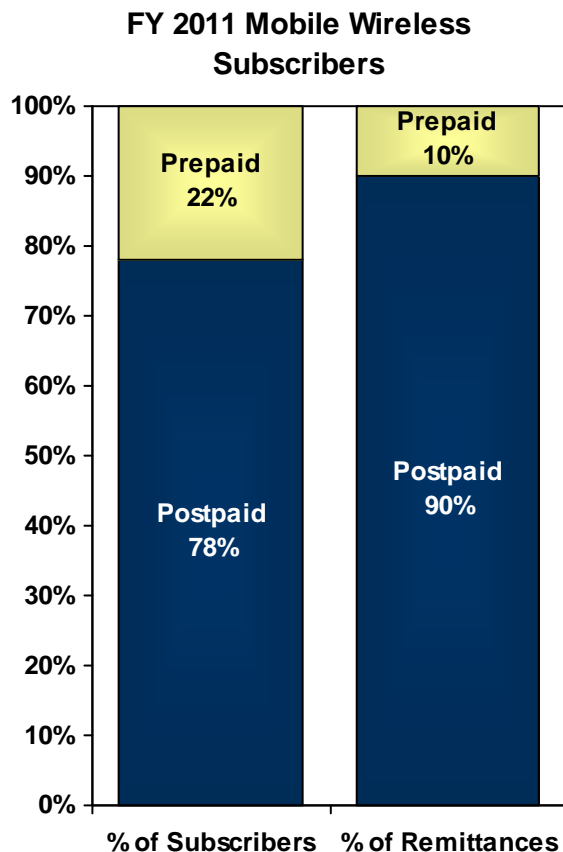
In FY 2011, 22 percent of all wireless subscribers were prepaid; however, revenue from these subscribers only accounted for 10 percent of total revenues received by the CMRS Board. The Board estimates that they lose \$3.5 million a year from prepaid subscribers. Part of the reason is because of TracFone's lack of payments, but state statutes also allow prepaid providers one of three ways to calculate the remittance amount. These options result in amounts that are lower than what a pure 70 cents/month per wireless subscriber rate would generate.

The 70-cent statewide 911 wireless fee has not been changed since 1998. Funds generated by this fee account for around 16 percent of total local 911 revenues. The fees charged by other states vary widely, though most fall within a range of \$0.50 to \$1.50 per month per wireless subscriber. A handful of states allow their local governments to levy a 911 fee on wireless subscribers.

### Future Funding Issues

As noted in the chart above, 78 percent of all mobile wireless subscribers are through postpaid accounts. However, 90 percent of all mobile wireless 911 fees collected by the CMRS Board are from postpaid accounts. All prepaid wireless subscribers are not paying the full 70-cent monthly fee, unlike postpaid subscribers.

With amendments that were approved in 2006, state law provides three different options – known as Option A, Option B and Option C – for prepaid wireless providers to calculate their



911 fees owed. The provider may choose its own option for collection. The three options that are included in KRS 65.7635(1) are the following:

- Option A – prepaid providers must deduct 70 cents from the user's account as long as the account balance is not less than the fee
- Option B – providers will divide their monthly total earned prepaid wireless telephone revenue received by \$50, multiply the quotient by 70 cents and pay the resulting amount
- Option C – prepaid providers will pay according to some other calculation method approved by the CMRS Board

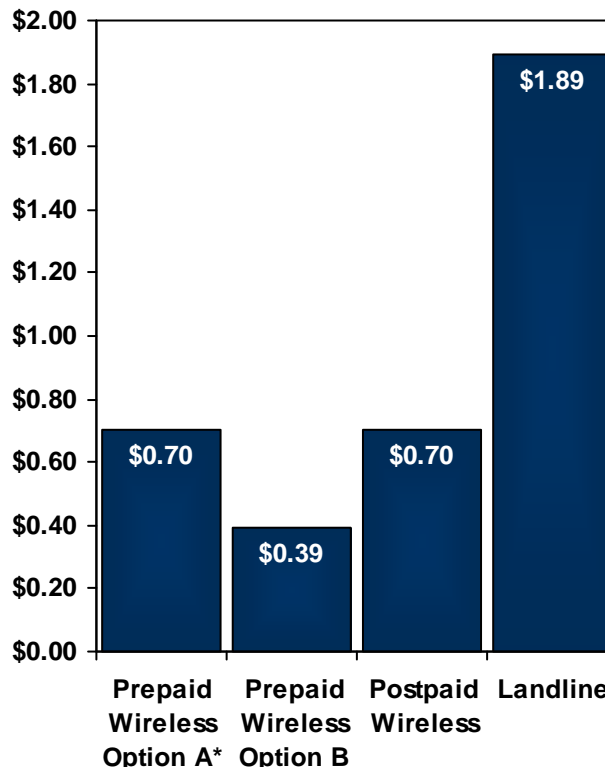
Since the Board has not approved a different payment method, then Option A and Option B are the only two ways in which a prepaid provider can collect or calculate the monthly 911 fee.

Since the 2006 amendments, the CMRS Board collected around \$19.5 million less from prepaid devices than would have been collected had each prepaid device paid 70 cents per month. That's because the formula in Option B equals only 39 cents per month.

Option B assumes that the average revenue per user (ARPU) is \$50 per month, even though the national ARPU for prepaid mobile wireless services is \$27.50. However, based on an FY 2011 information request from the CMRS Board, the ARPU in Kentucky is only around \$22.25 per month. In other words, since statute outlines a higher average bill per month, the prepaid wireless companies are remitting amounts less than what the average consumer would be paying if the consumer paid 70 cents per month.

During the 2011 General Session, the wireless industry promoted legislation adopting the retail point of sale (POS) method for collecting 911 fees from prepaid users. This method requires the retailer to collect the fee when the service (phone and/or minutes) is purchased. That legislation proposed a POS rate of 1.4 percent. According to the CMRS Board, using the national ARPU of \$27.50 would require a POS rate of 2.55 percent to generate revenues equal to what would be produced if prepaid subscribers paid 70 cents per month. Using the state's ARPU of \$22.25, a POS rate of 3.15 percent would be required. These rates do not include any administrative fees charged to collect the revenue.

**Average Monthly 911 Fee Paid  
by Type of Subscriber**



*\* This option collects the full 70-cent monthly fee, but it is only from around 60 percent of the total prepaid subscribers of the provider that uses this option.*

*Questions? Contact the KLC research team at 1-800-876-4552.*