

**Statement for the
Senate Veterans Affairs & Emergency Preparedness Committee and
the Senate Communications & Technology Committee**

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PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY

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Chairwoman Baker, Chairman Folmer, Chairman Farnese, Chairman Wozniak, members of the Senate Veterans Affairs & Emergency Preparedness Committee, and members of the Senate Communications & Technology Committee, I am pleased to have the opportunity to appear before you to discuss HB 1789 and other matters related to the 9-1-1 programs across the Commonwealth. I am Robb Wentzel the Director of the Bureau of 9-1-1 for the Pennsylvania Emergency Management Agency (PEMA).

First and foremost, we can not provide the support our citizens deserve by ourselves. On behalf of our 9-1-1 coordinators across the state, I want to thank you -- the members of the Pennsylvania General Assembly -- for your continued interest and support. Even though the Bureau of 9-1-1 is a very small bureau in a small agency, we have a very large mission. PEMA has the enormous

responsibility of overseeing the sixty nine (69) 9-1-1 programs known as Public Safety Answering Points (PSAPs) throughout the Commonwealth. The 9-1-1 system is the backbone of our emergency response system and is almost entirely funded from non-public monies. In 2009, there were over 8.7 million 9-1-1 calls in the Commonwealth. That means in the Commonwealth there is a 9-1-1 emergency call placed about every 3.6 seconds.

9-1-1 Legislative History and Funding Streams

Wireline:

In 1990, the Pennsylvania General Assembly passed Act 78 of 1990, *The Public Safety Emergency Telephone Act*, (commonly referred to as Act 78). The legislation provided for a statewide emergency number, 9-1-1, for *"...any individual within this Commonwealth to gain rapid, direct access to emergency aid..."* This Act placed oversight of the state's wireline 9-1-1 system with PEMA while vesting *"...(the) authority and responsibility for the creation and implementation of a plan establishing, operating and maintaining adequate facilities for answering emergency calls and dispatching a proper response to a caller's needs in the county government."* (emphasis added)

The wireline fee is from \$1.00 to \$1.50 per line, per month depending on the class of county. Class 1-2a counties can charge up to \$1.00, Class 3-5 counties can charge up to \$1.25 and Class 6-8 counties can charge up to \$1.50. These wireline fees are remitted directly from the wireline carriers to the counties. Counties can

use these wireline funds to pay for eligible expenses such as personnel and personnel-related costs, equipment purchases and equipment maintenance.

Unfortunately, as a result of increased use of cell phones and a decrease in wireline phones, 9-1-1 programs in many counties are experiencing a major reduction in wireline 9-1-1 funds. Some counties have reported a decrease in 9-1-1 wireline revenue in excess of 36.5%.

Wireless:

In 2003, the Pennsylvania General Assembly passed Act 56 which addressed wireless devices such as cell phones. A \$1.00 monthly surcharge was placed on every wireless device. This surcharge is collected by wireless service providers and remitted either monthly or quarterly to PEMA. PEMA then disburses those funds to counties via annual funding applications submitted by the counties. The wireless surcharge in Act 56 was to sunset on June 30, 2009; however, last year, the General Assembly under Act 6 of 2009 extended the surcharge to June 30, 2014.

Most of the wireless funds come from the "postpaid" market. Postpaid is term for cell phone service to which most consumers subscribe -- a one or two-year service contact with a particular wireless provider such as AT&T Mobility, Verizon Wireless, T-Mobile, etc.

VoIP:

Act 72 of 2008 amended Act 78 for the provisioning the collection of a \$1.00 fee on Voice over Internet Protocol (VoIP) users in Pennsylvania. The fee is collected by the VoIP provider and remitted either to the county where service is provided or to the State Treasurer on a monthly or quarterly basis. If remitted to the state, PEMA disburses to the counties on a pass through basis, monthly. For all other purposes, the VoIP fee is treated as wireline under Act 78.

HB 1789 (Wireless Prepaid)

HB 1789 addresses the fast paced, growing prepaid wireless market (devices and phone cards). In recent years, there has been an unmistakable shift from postpaid to prepaid wireless. In both 2007 and 2008, prepaid growth outstripped postpaid growth. Prepaid wireless devices now are the fastest growing segment of the consumer phone market in the nation. According to the National Conference of State Legislatures, the number of prepaid users has grown from less than 6% of the wireless market in 2003 to over 18% in 2009. Industry analysts project a 14% growth rate in prepaid for 2009 versus a 4% growth rate for postpaid.

Statistics indicate Pennsylvania is not realizing the comparable level increase of those 9-1-1 wireless prepaid surcharge revenues. In FY 2008-09, market estimates place 9-1-1 prepaid revenue opportunity for Pennsylvania at \$18.4 million. However, actual prepaid revenue was approximately \$8 million. Therefore, the

collection method under Pennsylvania's current wireless 9-1-1 law (Act 56 of 2003) does not capture about \$10.4 million (56%), of the \$18.4 million in prepaid wireless surcharges.

A major reason for the proposed change to current law is that the wireless service providers (WSPs) contend they cannot collect and remit the surcharge uniformly from people who purchase prepaid minutes. Current prepaid remittance is under one of two "menu" methods:

Decrement: This method results in the deduction of minutes from the customer's account on a certain day each month if a sufficient positive balance exists (only ATT Mobility utilizes this method). Recently, customers have discovered how this method works and will "zero out" their card prior to the day the minutes would be deducted. By doing this, no 9-1-1 surcharge is collected and remitted from the customer.

ARPU: This method results in a wireless service provider estimating the number of prepaid customers each month, then remitting the wireless surcharge. By doing this, the wireless service provider, not directly the customer, is paying the 9-1-1 surcharge.

HB 1789 will change the method of collecting the \$1.00 surcharge on prepaid sales to ensure that the wireless surcharge is collected at the point of sale. The retailers/vendors will collect the \$1.00 surcharge at the point of sale. The

surcharge will then be remitted to the Pennsylvania Department of Revenue and deposited in the Wireless E-911 Emergency Services Fund, the same fund all wireless surcharges are currently deposited. With this change, industry analysts project that 9-1-1 prepaid surcharge revenues generated under HB 1789 will exceed \$21 million in FY 2010-2011 and \$24 million in FY 2011-2012.

We have attended a number of meetings with stakeholders on HB 1789. PEMA has been very clear at these meetings -- our goal is to make certain that our 69 PSAPs receive the prepaid wireless funds they should be getting. To date, the point of sale collection method is the only option that has been presented that is likely to capture those currently uncollected surcharges.

During the last legislative cycle, Maine, Louisiana, Texas and Wisconsin passed 9-1-1 prepaid point of sale laws. The National Emergency Number Association ("NENA") has not officially endorsed one model of collection, but has voiced support for the point of sale model. CTIA, The Wireless Association has voiced support for the point of sale model. In addition, National Conference of State Legislatures adopted a resolution to support the point of sale model and created model legislation.

Re-Writing Act 78

Our goal in re-writing the entire 9-1-1 law is simple: we want to ensure that help in an emergency remains only a phone call away for every Pennsylvanian.

9-1-1 Revenues for the Most Recent Reporting Period:

Below is the breakdown of 9-1-1 revenues for the most current fiscal year.

Total revenue -- \$195.2 million

Wireline revenue -- \$79.4 million

Wireless revenue -- \$105.3 million (postpaid \$97.3 million & prepaid \$8 million)

Voice over Internet Protocol ("VoIP") revenue -- \$10.5 million

Despite these revenues, in FY 2008-2009, counties have reported \$252 million in expenditures, a shortfall of around \$57 million in 9-1-1 operating expenses. The Pennsylvania National Emergency Numbers Association (PA NENA) hired a consultant to examine the state of the PSAPs in the Commonwealth. I just received that report on Monday and am in the process of reviewing it. I hope that the report will provide additional insights that we can use to re-write Act 78.

Changing Technology:

One very challenging issue is Act 78 is silent on new technologies that can access the 9-1-1 system and these technologies do not fall under established state standards or fee remittance requirements.

Over the last decade, advancements in communications technology have created the need for an enhanced system to access 9-1-1. While current 9-1-1 systems have provided a reliable emergency communications structure, they have been stretched to their limit. New wireless devices are being developed at a rapid rate.

Telematic providers such as OnStar provide services to vehicle users as a means of contacting public safety communication centers. IP-based devices offer capabilities such as text and video messaging – capabilities that current PSAP technology cannot accept such 9-1-1 calls. In addition, consumer markets are shifting and business relationships between wireless service providers and Skype will present a challenge to PSAPs where there is a 9-1-1 call with no location information. Regardless, the PSAPs must ensure that all calls from every service, regardless of technology, are answered in a timely and efficient manner.

Clearly, in re-writing Act 78 we should ensure to the extent possible, all technologies are covered and – if feasible – establish a fee that is a standard, technology neutral amount.

Inadequate Funding:

For the most recent reporting period, counties reported over \$252 million in expenditures for Pennsylvania's 9-1-1 systems. As more and more people are moving away from conventional wireline phones and utilizing cell phones and newer technology, the wireline contributions to the counties are decreasing. Even with the addition of wireless funding, counties report they are not receiving sufficient funds to cover their 9-1-1 operating budgets. For the most recent reporting period, counties reported a \$57 million shortfall in wireline and wireless money to fund their 9-1-1- programs. To cover that shortfall, counties used general operating funds for their 9-1-1 programs.

Inefficiencies:

Act 78 does not provide the impetus and incentive for PSAP consolidation.

Currently, there are sixty-nine (69) PSAPs across the Commonwealth. Yet, there are municipalities within counties that want to be recognized as having PSAPs and counties that effectually operate on a day-to-day basis as a consolidated PSAP while incurring the costs to maintain a stand-alone operation. The reasons are driven by financial motives (revenue) with little or no consideration for the cost component or public safety response implications. There is one county that partnered with two neighboring counties to regionalize its 9-1-1 system. Other counties may need to consider consolidation in the future.

Consolidation of PSAPs not only will result in cost savings but also better service the citizens of the Commonwealth. Where it makes sense, consolidated PSAPs present the opportunity for both operating efficiencies and economy of scale that present cost savings that can be earmarked for Next Generation of IP-enabled 9-1-1 solutions.

Again, the overarching goal in re-writing Act 78 is to ensure that -- as current law requires -- the 9-1-1 system throughout the Commonwealth "...maximizes advantages of the integration of communications equipment and technology to minimize costs and effect a more rapid response to emergency situations" ensuring that help in an emergency remains only a phone call away for every Pennsylvanian

regardless of where you live or travel within our Commonwealth. As we move forward with the re-write to Act 78, I assure you that PEMA will work closely with all stakeholders in the 9-1-1 community to meet that goal.

On behalf of Governor Rendell and the twelve million Pennsylvanians we serve, I again want to thank you, Chairwoman Baker, Chairman Folmer, Chairman Farnese, Chairman Wozniak, members of the Senate Veterans Affairs & Emergency Preparedness Committee, members of the Senate Communications & Technology Committee, and the entire General Assembly for your continued support of PEMA and our 9-1-1 partners in public safety across the state. I would be happy to answer any questions you may have.