



911 Funding: State Trends

Scott Mackey
Managing Partner
KSE Partners LLP
Montpelier, VT

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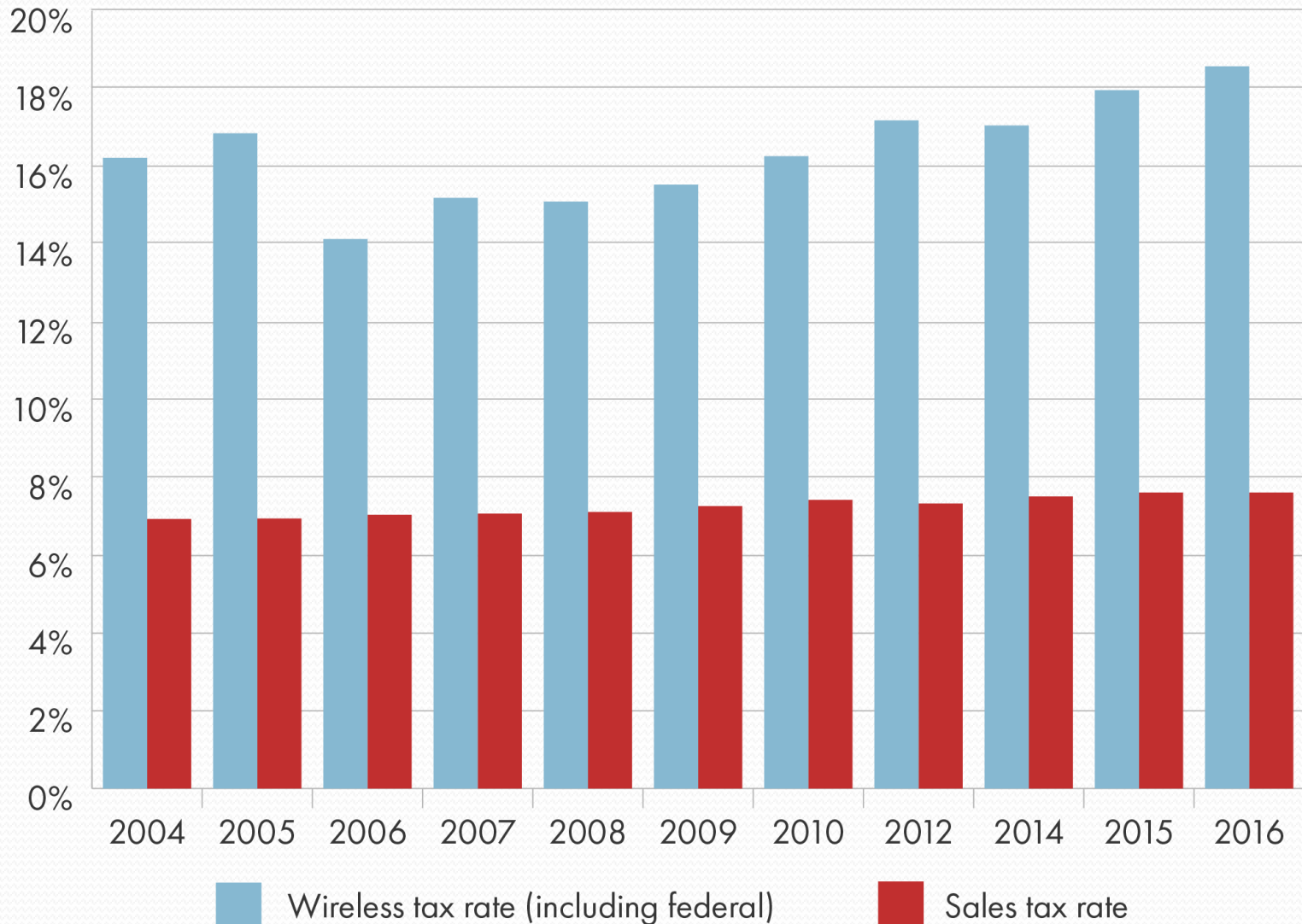
Overview

- Putting 911 fees in context
- Brief history of 911 fees and funding
- Industry trends impacting fees and funding
- Recent state reforms
- Policy questions

Putting 911 Fees in Context

- Wireless taxes and fees are almost 2.5 times higher than sales taxes on most taxable goods and services
- Federal, states, and local governments all get a piece of the wireless consumer's wallet
- Colorado is in the middle
 - Sales taxes, 911 fee, and state USF = 10.8% (23rd); including Federal USF the Colorado total rate is 17.5%
 - TRS fee (up to 15 cents / line) added effective 9/1/2016
 - US Average = 11.9% (18.6% including FUSF)

FEDERAL/STATE/LOCAL AVERAGE WIRELESS TAX RATES VS. SALES TAX RATES, 2004–2016



History of Fees and Funding

- Initially imposed on landline service –on customer, collected and remitted by provider
- Extended to wireless in mid- to late-1990s
- Most states (not Colorado) kept wireline fees at local level but imposed statewide wireless fee
- Initially intended to cover capital costs (equipment) but expanded to other uses in some states

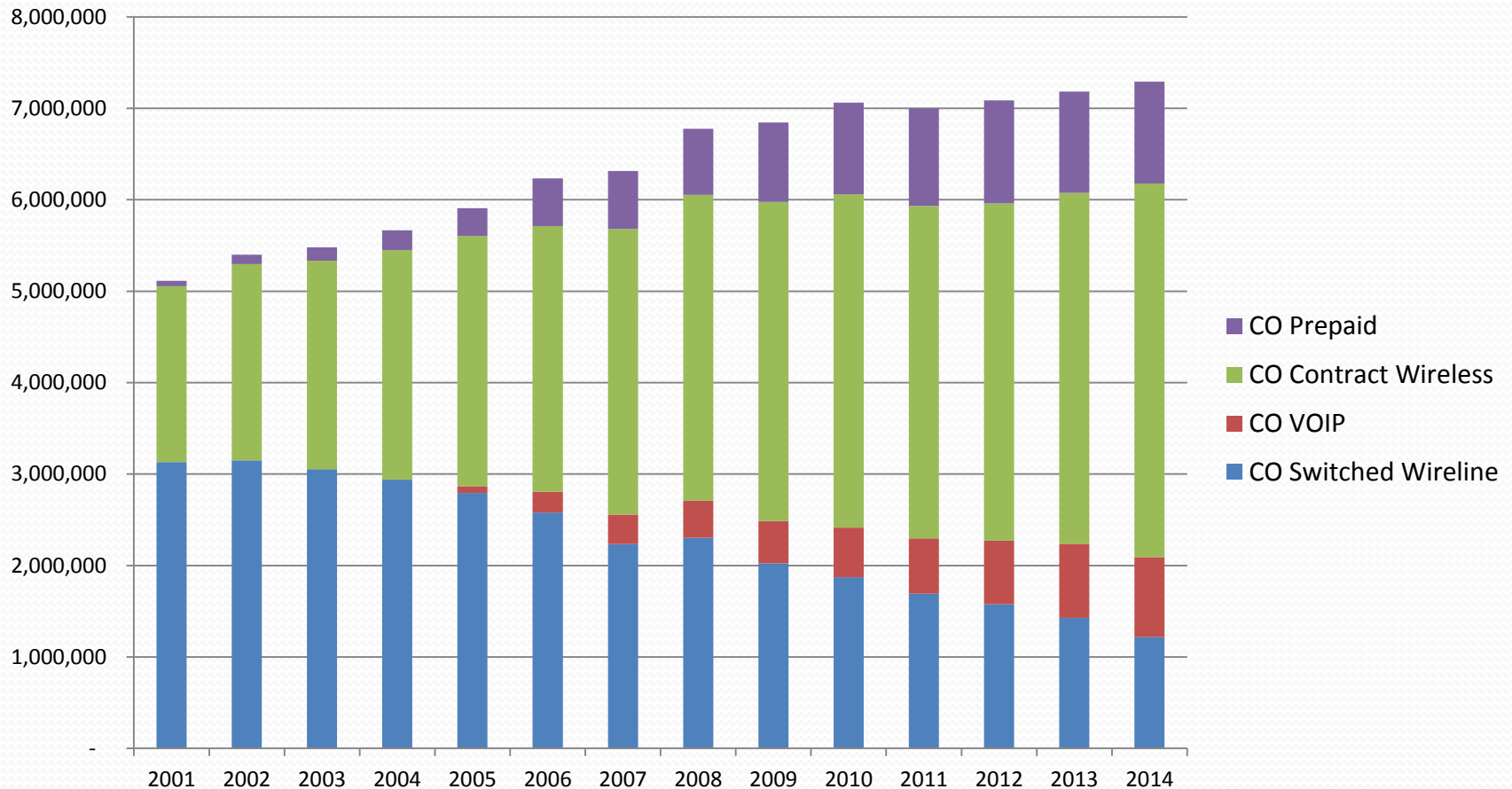
History continued

- Extended to VOIP in most states -- mid 2000s
- Extended to prepaid wireless in most states – between 2010 and 2015 (2011 in Colorado)

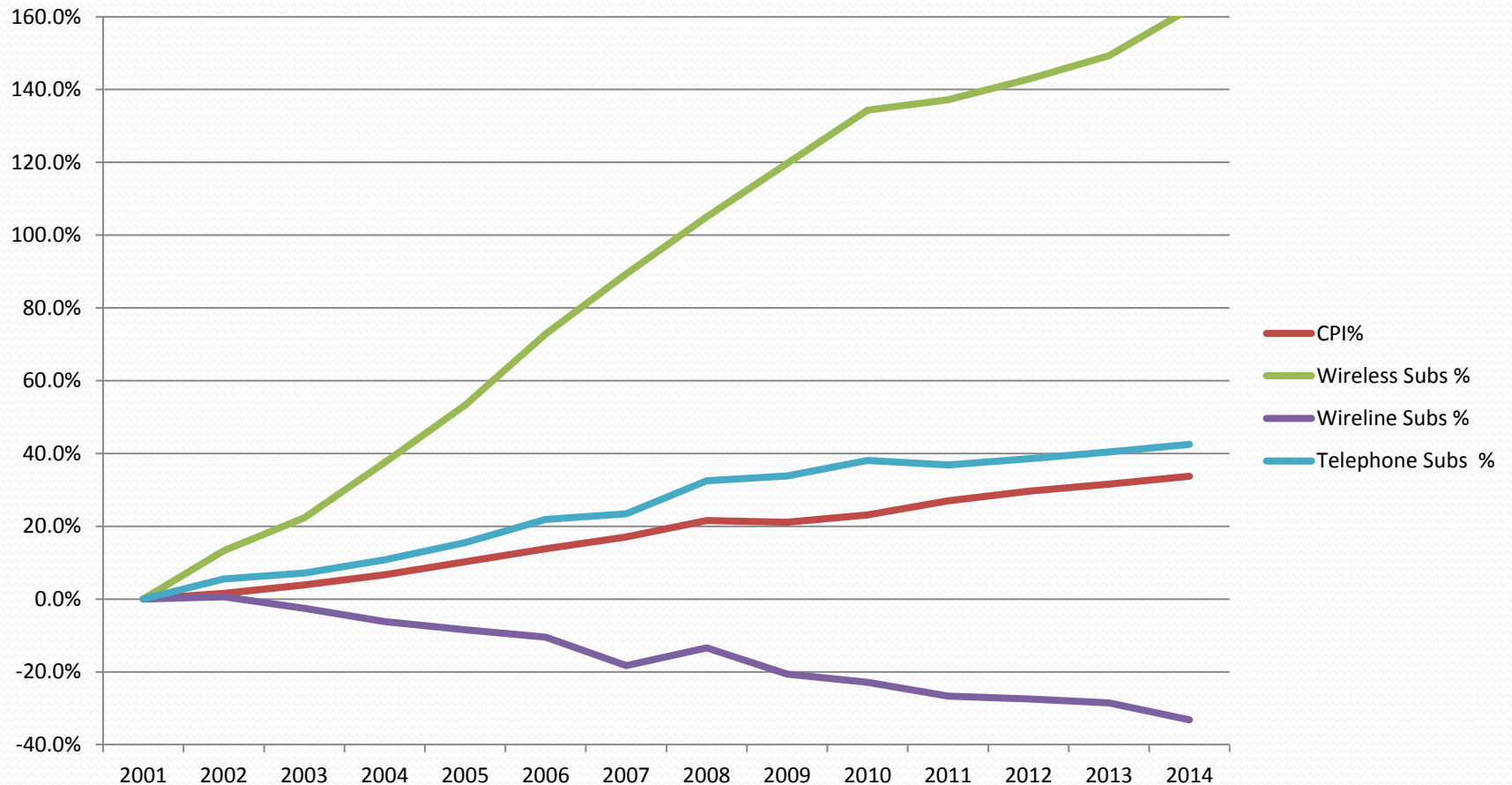
Industry Trends

- Wireless
 - Rapid wireless growth in 2000s has slowed last 5 years
 - Prepaid wireless penetration has stalled at about 20%
 - WIFI only devices and other alternatives now available
- Wireline
 - Internet / wireline bundles
 - “Over the top” VOIP
 - Cord cutting

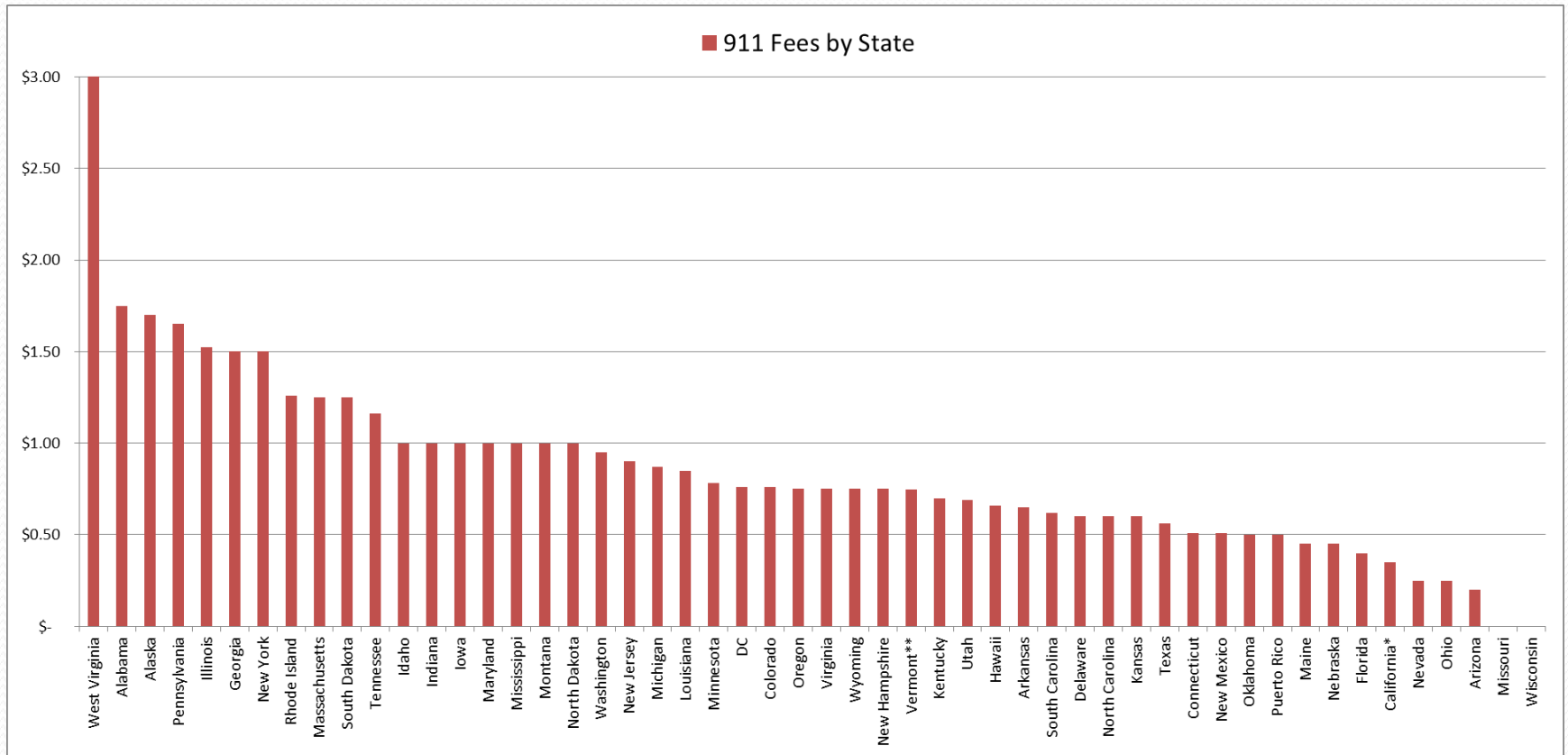
Colorado Telephone Users: 2001 - 2014



Cumulative Growth: Telephone Subscribers vs. CPI-U by Type of Service



911 Fees by State: October 1, 2016



Recent State Funding Reforms

- Oklahoma (2016)
 - Replaced county-by-county wireless fee (capped at 50 cents) with single statewide 75 cent wireless fee
 - Wireline fees continue to be set and remitted locally
 - New 911 board with oversight authority
 - Additional financial reporting and accountability provisions for PSAPs

Recent State Funding Reforms

Pennsylvania (2015)

- Single statewide rate of \$1.65 for wireline, wireless and prepaid (increase from \$1.00 on wireless and \$1.50 on wireline in most localities)
- Centralized collection of 911 fee – wireline previously locally sent and collected; wireless previously statewide
- Permissive/Incentivizes PSAP consolidation & regionalization
- 911 Board to develop recommendations regarding revenue distribution formula

Recent State Funding Reforms

Tennessee (2014)

- Revenue neutral
- Legislature evaluated 5 years of landline collections (local) and wireless collections (state)
- Statewide fee with some money retained with state board for NG911; remainder to PSAPs
- Equalized landline and wireless fees at \$1.16 per month (wireless up from \$1.00; landline impact varied with most down from \$1.50)

Recent State Funding Reforms

Indiana (2012)

- Revenue neutral
- Legislature evaluated 3 years of actual landline collections (local) and wireless collections (state)
- Statewide fee to Board with local distribution
- Law equalized landline and wireless rates at \$.90 per month (later increased to \$1.00). Wireless previously \$.50; landline range \$.39 to \$3.00 with most populated counties at \$.70 or less.

Recent State Funding Reforms

Kansas (2011)

- Slight revenue increase due to expansion of 911 fee to prepaid wireless
- Single statewide rate of \$.53 per month (subsequently increased to \$.60) replaced statewide wireless fee (\$.50/month) and local option landline rate capped at (\$.75/month)
- Statutory restrictions on allowable expenditures
- Statewide formula distribution with minimum amount for small rural counties

Common Reform Themes

- Single statewide wireless / wireline fee
- 911 Board with expanded authority
- PSAP consolidation incentives – stopped short of mandatory consolidation
- Legislature sets or caps fee amount

Policy Questions

- Technology
 - Should county-by-county systems be maintained in an NG911 world?
 - How will states/localities cost-effectively transition from the current system to NG911?
 - Will it be necessary to maintain redundant systems?
- Governance
 - Should control be vested in a state board or local governments?
 - Should the state guarantee/fund minimum standards?
 - Should the unusual regulatory role of the state PUC be maintained?
- Funding
 - Should 911 fees be imposed & remitted locally or at the state level?
 - Should funding be statewide, local, or a combination?
 - Should the legislature set or cap the 911 fee?

Presenter Contact Information

Scott Mackey
Managing Partner
KSE Partners LLP
Montpelier, VT

mackey@ksepartners.com

802 778 0236 (desk)

802 236 7725 (wireless)