

Testimony of:



before the

**Senate Veterans Affairs &
Emergency Preparedness Committee**

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Good afternoon, Chairman Vulakovich, Chairman Costa and members of the committee. As the Director of State Government Relations for Verizon (landline and wireless) in Pennsylvania, I thank you for the opportunity to comment on the proposed rewrite of the statute that provides the framework for 911 service in our Commonwealth.

As Pennsylvania's largest 911 network service provider, we handle a huge number of calls each day to the PSAPs and that is one of the reasons we strongly support this committee's efforts to encourage state and local investment in IP-enabled next-generation (NG) 911 systems. And we are honored to play a role in developing this legislation because a key component to keeping the system working for the public is a firm foundation in the state law that governs 911.

The communications industry has completely transformed itself since Act 78 was enacted nearly 25 years ago. Today, a member of the public is much more likely to be calling 911 from a wireless device than a landline telephone. In fact, according to NENA, 69.54% of the 911 calls in Pennsylvania during 2013 came from wireless phones. And Voice over IP is another fast-growing telecommunications technology that is absorbing many of the consumers who are "cutting the cord" of their traditional landline service. So as consumers continue to demand new technologies and platforms, it is also necessary to update state and federal standards dictating the associated 911 communications obligations and requirements.

Our new Pennsylvania 911 statute should fairly accommodate existing technologies and those yet to emerge. It must also establish an efficient and workable framework to support access to 911 for the citizens of Pennsylvania and fund it in a manner that is fair to providers,

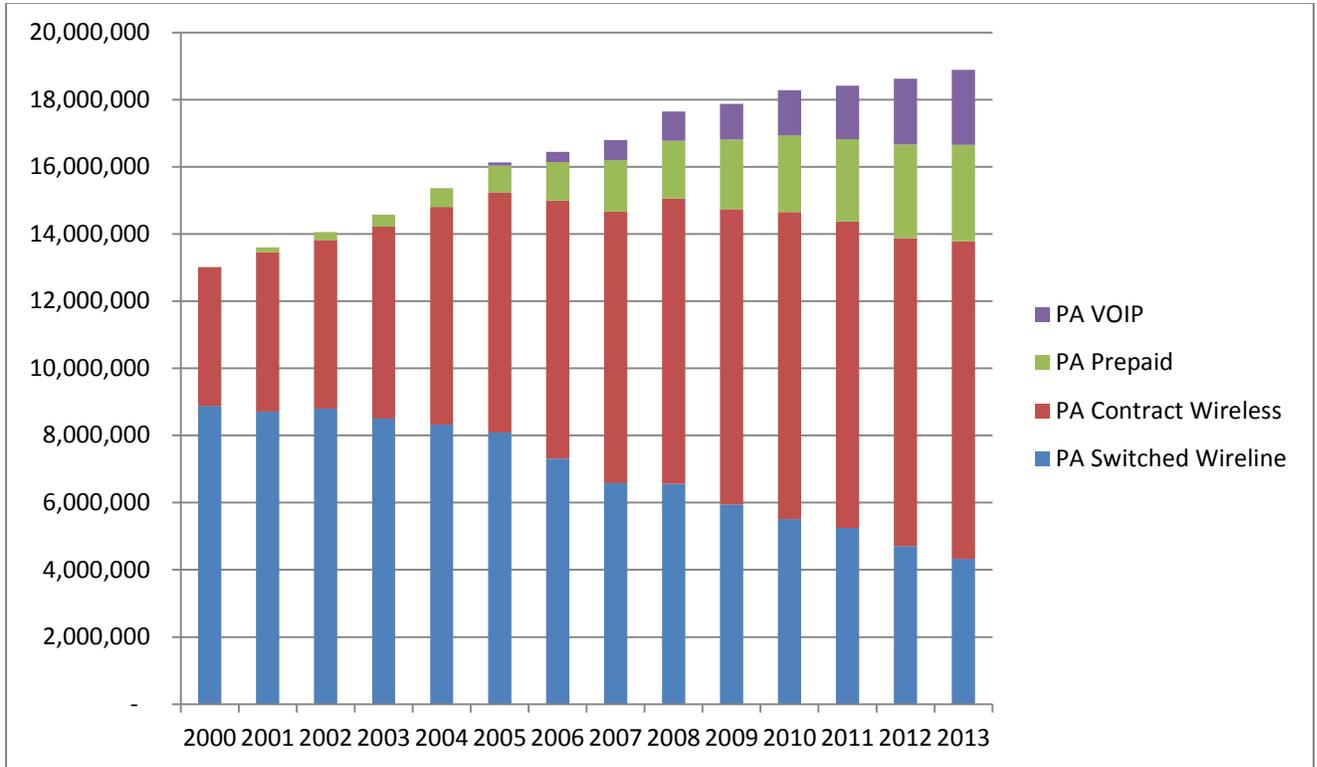
the counties and PSAPs without over-burdening telecommunications consumers with high tax increases.

The legislation before you replaces the current hodge-podge of different landline, wireless and VoIP fees with a competitively neutral 911 fee that is applied uniformly across all technologies that consumers use to reach 911. It also contains provisions designed to promote efficiency in the administration of PSAPs, positioning them to take full advantage of emerging technologies, such as Next Generation (NG) 911, by encouraging the regionalization of technology. But when addressing the fee, although we believe that 911 is an essential government service that should be funded with appropriations from general fund revenues, for the present we continue to support funding the system through the continued imposition of a 911 fee on our landline, Voice over IP and wireless bills. But that fee must be competitively and technologically neutral and fairly imposed on all telecommunication end-users that have the capability to make an emergency 911 call to the PSAP. The current landline-centric funding model no longer makes sense and should be replaced with a uniform, statewide fee on the services today's customers are using to call 911.

How much should that fee be? We strongly encourage you to set a fee that is sufficient to fund the costs to connect a telecommunications user with a PSAP but to keep that fee as low as possible so as to avoid overburdening our customers and your constituents, the taxpayers. To that point, it is important to recognize that the decrease in landline 911 fees has not diminished the overall revenue collected to support 911 systems across the commonwealth. More than twice as many "lines" pay the fee today than paid it in 2000, when only landlines were assessed a fee. As you can see from the bar graph on the next page, there were an estimated 9 million landlines in 2000 and over 18 million wireline, wireless and VoIP lines at the end of 2013.

PA Telephone Subscribers, 2000-2013

Source: FCC Local Competition Reports; CTIA Prepaid Snapshot; 2000 to 2006 VOIP and Prepaid counts are estimates.

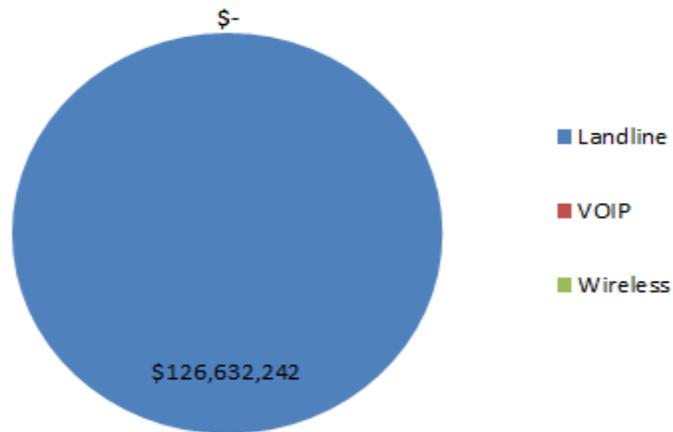


So while there has been a cumulative loss of switched landlines of approximately 4.2 million since 2000, that loss has been more than replaced by 911 fees from contract and prepaid wireless services, and Voice over IP services. Total 911 revenues in the Commonwealth increased by more than \$65 million between 2004 and 2013 (see pie charts on the next page). According to data in the two most recent FCC 911 reports to Congress, Pennsylvania's 911 revenues increased by more than \$8.5 million between 2012 and 2013 alone. As Pennsylvania (and all of the United States) has moved from a marketplace with one or two wireline phones per household paying the landline fee to a market where households have two, three, four or five wireless phones paying the fee, there has been a significant net increase in 911 revenue even as people cut the cord.

This explains why the counties are feeling the pain of severe reductions in their 911 revenues. One need only look at the pie charts below to see that county revenues have dropped approximately 60%. But why, when the 911 revenue pie is much bigger than ever before? Remember, every constituent family or business of yours who has dropped a landline in favor of Voice over IP or two or three (or more) cell phones has shifted 911 fee revenues from the county to PEMA. Yes, the counties have experienced a 60% reduction in revenues due to the reduction in landlines but PEMA has received all of that money - and more.

PA 911 Fee Sources – FY04

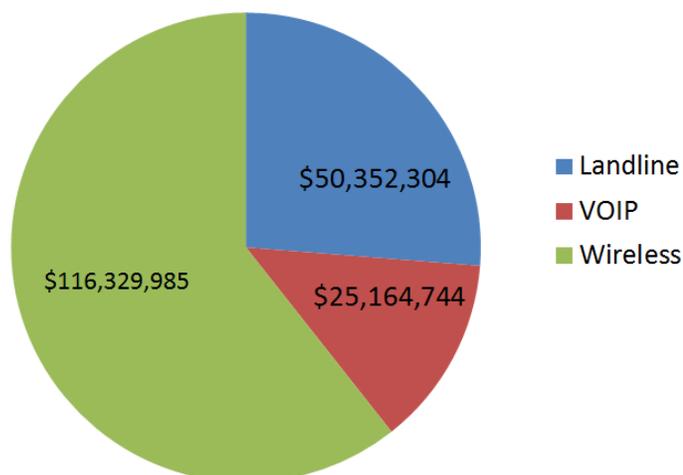
Total revenue = \$126.6 million



PA 911 Fee Sources – FY13

Total revenue = \$191.8 million

(\$65.2M Increase)



Of course, PEMA distributes the monies to the county PSAPs by way of grants, but that's not the same as a direct consistent revenue stream.

But, when this new legislation is enacted, this anomaly goes away. All 911 fees – wireline, Voice over IP and wireless – will go to the commonwealth, with the overwhelming majority of funds being distributed directly to the counties and the rest, minus small administration fees, being distributed to the counties via grants from PEMA.

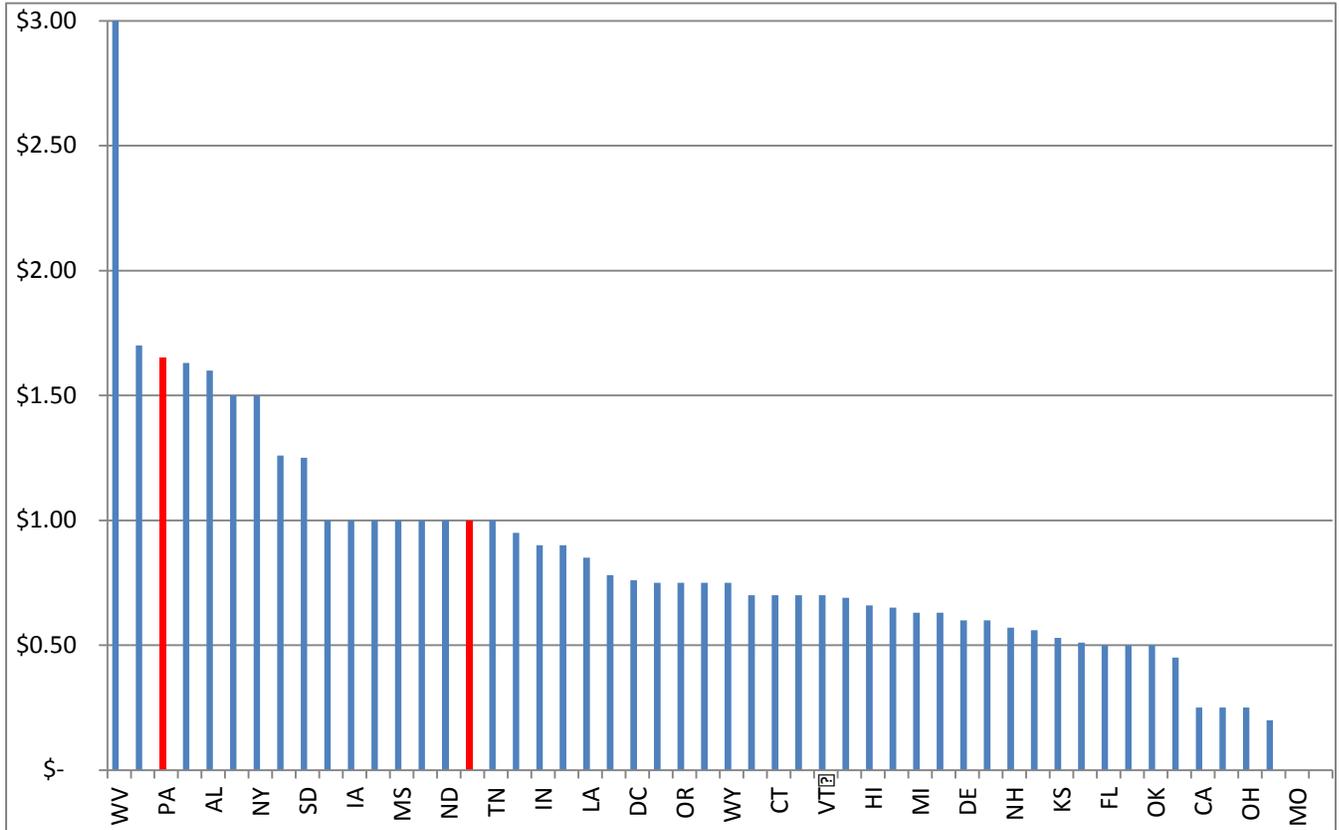
Now how much should that uniform fee be? We have analyzed the numbers and calculated that a uniform \$1.04 fee on all lines would collect approximately the same amount of revenue being collected today by the current system. While we agree that some increase in overall revenue would be reasonable to provide additional funds to support efficiency and modernization projects such as regionalization of technology, voluntary PSAP regionalization and the adoption of next generation 911, that would not require a large increase in the fee. Given the huge number of lines being assessed, an increase of 25% over today's \$1.00 wireless and Voice over IP fee would, in our opinion, provide the necessary funding.

To demonstrate the amount of new revenue that higher fees would drive, we took some hypothetical proposals and calculated the following:

- a \$1.25 rate is a \$39 million increase (a \$30 million increase on wireless customers);
- a \$1.65 rate is a \$114 million increase (a \$78 million increase on wireless customers);
- a \$2.00 rate would be a \$179 million increase (a \$120 million increase on wireless customers).

And as you can see from the bar graph below, at \$1.00, Pennsylvania already has one of the highest monthly wireless 911 fees in the United States:

Monthly Wireless 911 Fees by State



And telecommunications services in our state are also burdened with additional taxes and fees, including the sales tax plus the 5% gross receipts tax, which is not imposed in most other states.

In conclusion, Verizon believes that ensuring all counties, including rural counties, are receiving adequate funding with a uniform fee can and should be accomplished by establishing a reasonable uniform fee and an equitable formula that distributes revenues to the PSAPs so that funds are utilized in the most cost-efficient manner possible while providing incentives to move towards next generation technology across the Commonwealth.