

**Veterans Affairs and Emergency Preparedness Committee
Hearing on Pennsylvania's 911 Emergency Telephone System:
Funding, Expenditures, and Future Challenges and
Opportunities**

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Testimony Given by Elizabeth Voras, Project Manager

Legislative Budget and Finance Committee

Good Morning, Chairman Baker and Members of the Committee. Thank you for inviting us to testify regarding the study of the statewide 911 system that we performed pursuant to Act 118 of 2010. The law specifically identified ten areas of examination, primarily pertaining to collection of surcharges, Public Service Answering Point (PSAP) expenditures, cost-saving measures, and issues the General Assembly will need to consider as the Commonwealth moves toward an Internet-based "Next Generation" 911 system. All of you by virtue of sitting on this Committee should have received a copy of our report, but I have brought additional copies and the accompanying fact sheet with me. A complete list of the scope and objectives of the study is contained on page 1 of the report's introduction.

The report, which was officially approved for release by the Legislative Budget and Finance Committee in May of this year, contains 24 different finding

areas, several of which have multiple recommendations. So in the interest of time, I'll just address those which we believe to be most significant.

Pennsylvania's 911 program began formally in 1990, and, as most of you know, today, Pennsylvania's telephony providers collect several separate surcharges to fund 911 operations in the Commonwealth. Surcharges are collected from customers utilizing wireline and wireless phones, including both postpaid and prepaid phones and minutes, as well as Voice over Internet Protocol (VoIP). Surcharges rates generally vary from \$1.00 to \$1.50 per month, depending on the type of technology and service plan utilized. Some collected surcharges go directly to the counties while others go to PEMA for distribution to the counties. 911 calls are received and dispatched by county-run 911 centers, known as PSAPs, of which there are 69 in Pennsylvania, one in each county and one each in the cities of Allentown and Bethlehem.

We found that, compared to other states, Pennsylvania has relatively high 911 surcharge rates and ranks among the top states in total surcharges collected. Pennsylvania collected \$197 million in surcharges during 2011, which represents a 6 percent increase from the amount collected in 2007.

One of our study objectives was to try to determine if all the telephony providers that are required to collect surcharges are actually collecting them and, if

so, if they are collecting and submitting the correct amounts. We found that while various organizations have lists of telephony providers in the Commonwealth, the lists varied greatly and none could be considered authoritative. We also found it was not possible to determine whether providers are remitting the correct amounts because providers consider their customer and access line information to be proprietary and do not provide this information to PEMA or counties.

We did, however, use publicly available data to try to estimate the amount of wireline, wireless, and VoIP surcharges that should be collected. While this can provide only a rough estimate, the actual amounts being collected were about 80 to 90 percent of our estimate. So while the providers may not be collecting 100 percent of surcharges, they do appear to be collecting at least a high percentage of what is owed. To better monitor surcharge collections, we recommend that providers of wireline, wireless, and VoIP telephony services doing business in Pennsylvania be required to register with PEMA and that providers be required to attest to compliance with Pennsylvania's surcharge laws on their surcharge remittance forms.

Also with regard to surcharges, we note that:

- the maximum amount counties are allowed to charge has not increased since 1990;

- that Pennsylvania allows providers to retain up to 2 percent of collection for administrative costs, whereas several other states only allow a 1 percent holdback;
- that there is no effort made to collect surcharges if customers do not pay them; and
- that there appears to be some confusion among providers as to whether or not public schools and other governmental entities should be paying the surcharge.

Changes the General Assembly made in July 2011 to the surcharges applied to prepaid wireless retail point-of-sale transactions were expected to generate an estimated \$9-\$13 million annually in additional funds, but, at the time we did the study, collections were running at an annual net gain of only about \$3.7 million. We recommend that PEMA and the Department of Revenue monitor these point-of-sale surcharges and determine why there has been such a shortfall from the projected revenues.

The next section of the report focuses on expenditures made in the 911 program. We found that in 2011, total surcharges covered about 71 percent of counties' 911 expenditures, with total PSAP expenditures of \$273 million vs. surcharge funds of \$192 million. The \$80 million difference is the approximate local contribution, which typically comes from counties' general funds. As another way to

look at it, the number of counties that are able to fund their programs based on surcharges alone has been steadily declining, from 24 counties in 2008 to only 7 counties in 2011. We note that almost all states have a 911 funding model similar to Pennsylvania's—meaning they impose surcharges on wireline, wireless and VOIP services. Some states do, however, allow local governments to impose additional fees/taxes specifically to support 911 services, such as a small increase in the local income tax.

We found that PSAP expenditures have been increasing rapidly in recent years. Between 2006 and 2011, total PSAP expenditures have increased by 27 percent, from \$214 million to \$273 million. Much of this increase has been in personnel costs, which increased by 32 percent over this period. We found that counties have wide latitude in determining staffing levels, and that staffing levels per 10,000 calls vary widely, from as few as 1.2 staff per 10,000 calls to as many as 15.7.

PSAP costs have been increasing, in part, because many PSAPs now do much more than answer emergency 911 calls. In addition to the gradual absorption of the dispatching function, PSAPs are also involved in a host of other duties not directly related to answering a 911 call, such as being the point of contact for the CLEAN and JNET computer databases, answering the Crime Stoppers Line, assisting first responders needing GIS assistance, and monitoring various alarms and call boxes.

In the words of one PSAP deputy director, PSAPs have become the axle in the public safety wheel from which all of the spokes emanate.

We surveyed a sample of PSAP directors to gain their input on a number of topics, including any cost-savings steps they have taken in recent years. Several PSAP directors reported taking steps such as joint purchasing of equipment, regionalization, and hiring part-time, rather than full-time, staff. But for the most part, the PSAP directors believe they have few options available to reduce costs since they believe they are chronically understaffed, funding sources are limited, and a certain minimum level of service must be provided. Although we believe opportunities for further cost savings do exist through the use of staffing “templates” to optimize staffing levels, greater regionalization (such as is occurring in some of the counties in western Pennsylvania), and expanding joint purchasing agreements (such as is occurring in nine northern tier counties), currently PEMA has little ability to require such efforts.

Trunk lines (the major telecommunication lines between telephony providers and the PSAPs) and other telephony requirements are also a major expense for PSAPs. In some states, such as New York, the state public utility commission sets allowable rates providers may charge PSAPs for these costs, such as selective routing. To help address these costs, we recommend that PEMA work with the

Pennsylvania Public Utility Commission to establish reasonable telephony charges specifically for PSAPs.

Chapter 53 (Emergency Telephone Service) of Title 35 currently requires PEMA to approve funding to PSAPs for any expense made to provide wireless 911 services, so long as the expense is eligible and conforms to the county's 911 plan. As a consequence, PEMA has little authority to control county expenditures of either wireline or wireless funds, which has resulted in inconsistencies from county to county, both in the type and amount of equipment purchased and in PSAP operational policies, such as staffing levels. In addition, the current application and distribution method that PEMA uses for wireless funds is administratively burdensome, lacks transparency, and has been a source of tension between PEMA and at least some of the counties. Finally, because PEMA is in the position of having to fund all eligible expenses, as much as 40 percent of the wireless surcharge funds are used to cover prior year approved expenditures, thus limiting the amount available for new requests.

As a way to help control costs and better direct the development of the statewide 911 system, we recommend the General Assembly amend Chapter 53 to allow PEMA to develop and utilize a formula for distributing wireless funds to counties, rather than the current process of approving expenditures on a case-by-case basis. We believe that such a formula would provide PEMA with the authority

it needs to develop staffing, technological, and operational standards and to drive investment toward more appropriate regional and statewide solutions. A formula would also ensure standardization of key definitions and metrics of the 911 system and could ultimately be used to encourage PSAP consolidation.

In other findings pertaining to the administration of the 911 program, we found that PEMA and the counties are generally in compliance with Chapter 53's reporting and auditing requirements, although PEMA should better define certain data elements to ensure consistency and accuracy in the information counties are reporting. We also recommend PEMA consider reorganizing and refocusing its 911 Bureau staff so that there is a single point of contact for all of a county's interactions with PEMA and that the 911 Emergency Services Advisory Committee, which is authorized in the statute, but which has not met since 2006, be reestablished.

Act 118 specifically asked us to look at the feasibility of consolidating county PSAPs into larger regional entities. We found that compared to most other large states, like California, Texas, Illinois, and New York, Pennsylvania already has a relatively "consolidated" 911 system. With 69 PSAPs, Pennsylvania has an average of 1 PSAP for every 184,000 residents, which is fewer PSAPs per capita than any of the states I just mentioned.

That said, we found that economies of scale do appear to exist, and that it is likely that 911 costs could be lowered by consolidating PSAPs that receive relatively few 911 calls into larger geographic areas. For example, the 14 smallest PSAPs (those receiving fewer than 15,000 911 calls per year) had costs that averaged about \$88 per call, compared to the 13 largest PSAPs (those receiving more than 128,000 calls per year), which had costs of only about \$24 per call. So it costs the smaller PSAPs about three times more per call than what it costs the largest PSAPs.

Finally, we were asked to look specifically at some of the key issues the Commonwealth will face as the 911 system begins implementing Next Generation 911 technologies. Next Generation refers to the use of broadband systems and protocols to transmit e-mail, text messages, pictures, and other digital media to PSAPs, which currently can receive only voice and teletype calls. Although we found that it is likely to be expensive to implement this new technology, it also offers unprecedented opportunities for cost savings through the streamlining and sharing of 911 services, if done in a standard, uniform manner. It is difficult to estimate what the cost of transition to NG911 will be in Pennsylvania, due to the current lack of national standards and because an assessment has not been done of the ability of the Commonwealth's existing broadband infrastructure to serve as the backbone for NG911 service across the state. We understand that such a study is, however, in process, and key aspects of the system are being modeled in a 10-county region in western Pennsylvania. To help with the transition to NG911, we

recommend that the General Assembly amend Chapter 53 not only to be compatible with Next Generation technologies but also to provide PEMA with greater statutory authority to develop the fiscal, technological, and operational standards necessary to ensure an efficient transition to these broadband technologies.

Before I close, we wish to thank all of the individuals at PEMA who assisted us in this study including PEMA Director Glenn Cannon, Deputy Director Dave Holl, and their staff. In addition, without the help and input of the County Commissioners Association, the Pa APCO NENA Board, both the wireless and wireline telephony providers, individuals from the 911 consulting industry, and individual PSAPs (especially Lancaster County), this report would not have been possible. Thank you for your time and attention and I would be happy to answer any questions you may have at this time.