

HAMILTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

3404 Amnicola Hwy • Chattanooga, TN 37406 • (423) 622-1911 • www.hc911.org

DON ALLEN

Chairman, Board of Directors

JOHN STUERMER

Executive Director

MIKE MAHN

Legal Counsel



Honorable Harry Green, Ph.D., Executive Director
Tennessee Advisory Commission on Intergovernmental Relations
226 Capitol Boulevard Building, Suite 508
Nashville, TN 37243

Re: TACIR Study of House Bill 0204 / 911 Funding

Dear Dr. Green:

Thank you for your office undertaking a study of the bill introduced by State Senator Eric Stewart (SB 0208) and State Representative Judd Matheny (HB 0204) concerning the life-saving, enhanced 9-1-1 service (E9-1-1) upon which all citizens of our state depend in times of crisis and need. I also want to thank you for inviting comments from the E9-1-1 community and the elected leadership of local governments, which are vitally involved, both operationally and financially.

Positive features of the Stewart-Matheny legislation:

- \$25,500,000 in new revenue, according to information provided by the General Assembly staff;
- All new revenue dedicated to Tennessee's 100 Districts (94 county & 6 municipal);
- \$3,750,000 additional revenue reserved for the 50 lowest population Districts;
- Rate adjustment protects revenue now retained by the Tennessee Emergency Communications Board (TECB), while securing amounts currently received by Districts.

We hope TACIR will recognize that Tennessee's E9-1-1 revenue structure is outdated and does not adequately provide revenue adjustments for the telephony and technological changes that this industry has experienced. In addition, this revenue structure does not address future technology trends to provide and ensure a stable revenue source to meet the future needs of our industry. We propose that a new funding structure be designed to provide fairness in funding for all current and future technologies accessing E9-1-1 services.

The TN ECB has been withholding E9-1-1 wireless fees for the 'Next Generation' 9-1-1 (NG9-1-1) project, which fees otherwise would be received by Districts. We request that TACIR study all facets of the NG9-1-1 project to validate whether the costs have benefits to Districts that are equal or greater in value, and to determine whether other parties, including the State of Tennessee, will benefit from the project and should share in costs, proportionately.

Honorable Harry Green, Ph.D., Executive Director
December 1, 2009
Page 2

Attached is the District's comprehensive response to TACIRs request for comments regarding the *Stability of the 9-1-1 Emergency Communications Fund in Tennessee*. We welcome the opportunity to provide any additional information or assistance in this matter.



Don Allen
Chairman of the Board
Hamilton County Emergency Communications District

HAMILTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

3404 Amnicola Hwy • Chattanooga, TN 37406 • (423) 622-1911 • www.hc911.org

DON ALLEN
Chairman, Board of Directors

JOHN STUERMER
Executive Director

MIKE MAHN
Legal Counsel



Hamilton County E9-1-1 Emergency Communications District

Response to Invitation for Comments

Tennessee Advisory Commission on Intergovernmental Relations (TACIR) Study on *Stability of the 9-1-1 Emergency Communications Fund in Tennessee*

December 1, 2009

The Hamilton County Emergency Communications District Board of Directors strongly believes that the E9-1-1 industry in Tennessee finds itself at a pivotal point in which immediate action is required to update Tennessee's E9-1-1 funding structure to enable the continued and sustainable quality of E9-1-1 service that has been enjoyed by citizens of Tennessee. Just as the old analog E9-1-1 system is out dated and being replaced, so also must be the outdated funding structure that was developed around the old analog system.

As we look back over the history of Emergency 9-1-1, we see that communication technology and services have evolved significantly since its inception. As these new communication technologies emerged, our industry standards and practices have evolved accordingly to afford our citizens continued access to the highest quality of Emergency 9-1-1 service available.

Tennessee has established a nationwide reputation as being a leader in the Emergency 9-1-1 industry. This is the direct result of commitment by prior 9-1-1 professionals in Tennessee, the Tennessee Emergency Communications Board, as well as support from the Tennessee Legislature. These individuals worked together to develop solutions to the changes and challenges that faced our industry. It is only through this type of combined effort will E9-1-1 be able to overcome the many new challenges that we are now facing, which includes the sustainable financial stability of E9-1-1.

Tennessee's E9-1-1 revenue structure is outdated, does not adequately support changes to current technologies, does not address future technology trends and is unable to provide a stable revenue source to meet the needs of our industry. This funding structure must be redesigned to provide fairness in funding for all current and future technologies accessing E9-1-1 services. Additionally, a clear and sensible statewide standard must be established for the appropriate use of E9-1-1 revenues to ensure that these limited resources are used to further as well as enhance the E9-1-1 services in Tennessee.

Nationwide, we are seeing a major trend shift in which individuals are giving up the traditional landline phone for a cell phone or wireless service. On a daily basis we read studies and reports that show this trend to be accelerating rapidly with no end in sight.

In the December 20th 2007 edition of the Chattanooga Time Free Press Allyn Hall, Director of Consumer Research for the research firm InStat, was quoted as saying, "*Land-line phone is a dead business. If it comes down to choosing between a land line and a cell phone, people choose the cell phone because it goes with them.*"

Newser.com reports in an article released on February 4th, 2009, that "*US colleges are ripping phone lines out of dorms*", citing "*demand has dropped, and its costly service*" and that "*90% of college students have cell phones*".

A recently released report from the U.S. Center for Disease Control and Prevention reports that for the first time, cell phone only homes topped landline only homes. The study found that in the second half of 2008 twenty (20) percent of homes reported being cell phone only homes, in comparison to seventeen (17) percent reporting to have only landlines. The jump from the first half of 2008 was the largest increase since the government began surveying in 2003.

The Hamilton County Emergency Communications District recognized this looming problem and reported so to the Tennessee Emergency Communications Board during its landline rating

increase hearing in 2005. Sheriff John Cupp, then sitting Chairman of the Board for the Hamilton County District stated, "*While landline reductions are being realized, increases are being observed in wireless accounts. The transition of services from landline to wireless are putting additional resource and financial strains on districts across the state*". Sheriff Cupp went on to say, "*The wireless revenues presently provided to the districts do not meet the current expenses districts incur with providing this service. Therefore, wireless revenues can not be counted on to meet the revenue needs of the District*".

The trend of transitioning from landline to wireless services is just now starting to have a very real impact on E9-1-1 services. We have witnessed the number of cellular calls to 9-1-1 increase from between five (5) and ten (10) percent ten (10) years ago to between sixty (60) and seventy (70) percent of 9-1-1 calls currently being placed today. We have seen the inception of Voice over Internet Protocol telephone service, or VoIP, and the significant changes to operational systems and call handling procedure to provide access to E9-1-1 services for this new technology. We are now facing the implementation of *Next Generation 9-1-1 or NG9-1-1*, which will be the access gateway to E9-1-1 for all future communication technologies.

The changes and advancements in technologies greatly increased the financial burden to E9-1-1 to implement and support over the old traditional landline service. However, under our current E9-1-1 funding structure wireless services, which include all future NG9-1-1 services, are charged a significantly lower surcharge rate than that of landline services.

With the current disparity of surcharge rates between landline and wireless services, the transition trend from wireline to wireless is rapidly diminishing the revenue stream for E9-1-1 services in Tennessee. Failure to acknowledge these problems and to take appropriate action will potentially put districts in financial jeopardy and thus place the level of E9-1-1 services being provided to our citizens at risk.

From 2002 to 2008, the Hamilton County E9-1-1 District has realized a steady reduction of residential landline accounts. As a result, the District has lost over fifty three thousand (53,000), or thirty eight (38) percent, of residential landline accounts in six (6) years. This translates into over nine hundred sixty two thousand dollars (\$962,000.00) of lost revenue for the District annually. On the other hand, Wireless service has increased by 92% in the same time period, while only producing an annual increase of three hundred seventy eight thousand dollars (\$378,000.00), under the state-wide shared Wireless funding formula. There is no evidence to indicate that this trend will stop or reverse. In fact, all indications are that this trend has significantly increased and will continue to do so in the future. One does not require a Ph. D in

Accounting or Finance to realize that the rapidly growing practice of exchanging a landline account, which provides revenue at one dollar and fifty cents (\$1.50), for a wireless account that provides revenue at sixty cents (\$0.60) does not sustain current revenue needs of districts, let alone support the constantly increasing operational costs.

Additional funds from Wireless revenue recently released to districts by the Tennessee Emergency Communications Board, under the Operational Funding program, have provided relief from the revenue shortfall. However, this additional funding, as much needed and appreciated as it is, is only a temporary “band aid” for the outdated revenue structure that cannot sustain future E9-1-1 services in Tennessee.

The Board of Directors for the Hamilton County Emergency Communication District recognizes the need for the revision of the E9-1-1 revenue structure, more specifically the Wireless surcharges rate, and strongly recommends that action be taken to address the problem. The revision of Tennessee’s E9-1-1 funding structure must establish fairness in funding for all E9-1-1 services to provide a stable and sustainable revenue source for the future. Financial forecasts clearly show that districts will not be able sustain their current level of service with the unrelenting decline in landline revenue, as well as an inadequate wireless revenue structure, coupled with continued increases in the costs of operations.

There are those who argue that an adjustment to the revenue system is not needed as only 39 of the 100 districts in the state have raised their landline rates to the statutory maximum. We would respectfully contend that raising landline rates is not the answer to a revenue shortfall being caused by diminishing landline accounts. Landlines have in fact been subsidizing cellular and wireless users for years. We contend that it is unfair to increase the surcharge to landline users, many of which are elderly and on limited incomes, to cover the increased financial costs directly related to the increased number of wireless users.

In addition, the rapidly approaching implementation of Next Generation 9-1-1 (“NG 9-1-1”) will introduce a vast number of new services and customers accessing 9-1-1 services. These new services and customers will all fall under the wireless surcharge rate, which does not provide adequate financial support for the current services.

With all indicators and forecasts showing that wireless services will be the predominate method for accessing E9-1-1 services in the future, it is imperative that Tennessee establishes a E9-1-1 revenue structure that will address and financially support future technologies that will access E9-1-1. In 2008, Hamilton County Emergency Communications District received over sixty five

(65) percent of its E9-1-1 calls via wireless services, while in the same period wireless revenue accounted for only thirty (30) percent of total revenue for the District. Therefore, it is very clear that the current E9-1-1 revenue structure is outdated and can not be counted on to meet the revenue needs of the E9-1-1 system in our state, now or in the future.

Another matter that must be addressed is the standard for the approved uses of E9-1-1 funds. The standard was adequate when established with the implementation of E9-1-1 services in Tennessee. However, it is very vague and does not apply to current accepted operational models for E9-1-1 services in our state. As a result, there is a high level of confusion over approved uses and a lack of protection for districts as they are pressured to expand the use of their already limited E9-1-1 funds. Tennessee needs a clear and enforceable statewide standard that addresses current and future operational needs.

There are those who state that E9-1-1 revenues should only be used for the routing of 9-1-1 calls to PSAPs, as was the original guideline for the use of these revenues. As the 9-1-1 industry adjusted its operational procedures in response to technology advancements and changes in the communications industry, the companion adjustments for approved funding practices have not been addressed.

The Tennessee Emergency Communications Board has demonstrated its recognition for the need of fundamental changes in the use of E9-1-1 funds by its implementation of the Rural Dispatcher Grant and most recently the Dispatcher Training Grant, in support of Dispatcher Training standards. The Board is to be applauded for its work in this area. Unfortunately, without a clear and comprehensive statewide standard for the accepted use of E9-1-1 funds, these actions only added to the confusion and arguments of what are approved uses for E9-1-1 revenues.

The development of a statewide standard will not be an easy task to accomplish as it will have to balance the many diverse operational and funding agreements in place by districts across the state. This standard must take into consideration the operational changes and technology advancements in our industry, along with the associated changes in expectations of service by our citizens and judicial system. It will need to be flexible so that districts will be able to continue working within their unique set of operational circumstances. Most of all, the standard must provide a clear delineation for appropriate use of funds, while ensuring that the limited E9-1-1 funds can support these services. This must be accomplished to provide clear guidance to districts and governments so as to prevent the misappropriation of limited E9-1-1 funds.

In conclusion, the E9-1-1 funding structure no longer provides adequate financial support under current operations or future industry trends. Anthony Haynes, former Executive Director for this Board, was quoted in the November 16th, 2004 edition of Federal Computer Week, as saying *"Paying for the upkeep of current systems and incorporating next-generation ones will be another challenge. That comes at a cost. In meeting those costs, you have to have some form of predictable level of support not only to be able to maintain those operations but to be able to advance those and meet the changes."* The financial bleeding from Tennessee's E9-1-1 revenue stream, caused by the loss of revenue from residential landlines converting to cellular or wireless services, cannot continue if districts are to remain solvent and meet the future challenges of Emergency 9-1-1.

The Hamilton County Emergency Communications District recognizes the need for a comprehensive and in-depth study of the E9-1-1 industry in Tennessee to development a fair funding structure for all services accessing E9-1-1 in Tennessee. This new funding structure must provide a predictable and sustainable level of revenue to support current and future E9-1-1 services. Additionally, it is recommend that a statewide standard on the appropriate use of E9-1-1 funds be established. This standard must meet the diverse operational needs of districts across the state while ensuring appropriate financial support for E9-1-1 services.

Thank you for your consideration and work in these very important matters.