

TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: TACIR Commission Members

FROM: Harry A. Green *Harry*
Executive Director

DATE: December 9, 2009

SUBJECT: Progress Report on Emergency Communication District Funding Study

At the September Commission meeting, TACIR staff presented the research plan for the study of HB 0204 by Matheny (SB 0208 by Stewart). The House State and Local Government Committee referred HB 0204 to TACIR with instructions to report back to the committee its findings and recommendations regarding Emergency Communications Districts (ECD) funding during the 2010 legislative session. Staff will present preliminary findings and recommendations at the December meeting. Preliminary findings include initial responses to TACIR's call for written input from various stakeholders.

HB 0204 would increase the monthly cell phone service charge from \$1 to \$1.50 and reallocate the distribution of this service charge from the Tennessee Emergency Communications Board (TECB) to local Emergency Communications Districts (ECD) from 25 percent to 65 percent. An additional five percent of the revenue generated would be distributed to the 50 lowest populated ECDs. According to Fiscal Review, the net impact of the bill in fiscal year 2011 would be an increase in state revenue of \$29 million and an increase in state expenditures of \$46 million (fiscal note attached). The \$46 million increase in state expenditures would be the result of the reallocation to local governments, who would in turn experience a \$46 million increase in revenue.

RESEARCH PLAN

1. The study, to be presented to the House State and Local Government Committee by April 1, 2010, will consist of the following research components:
 - a. Interviews
 - TECB staff member(s)
 - House and Senate sponsors of HB 0204 (SB 0208)
 - Subject matter experts and other interested parties
 - Other individuals as required
 - b. Literature Review
 - Funding issues
 - Technical issues
 - Consolidation issues
 - Other states' experiences
 - Industry standards
 - Federal and state regulations
 - c. Review of the 2006 TACIR study
 - Status of funding findings and recommendations
 - d. Data Collection and Analysis
 - Audit results for the TECB and local ECDs
 - Impact of wireless customer trends vs. wireline customer trends
 - NENA and FCC data on state collection and distribution of 911 and E-911 fees and charges
 - Other data as necessary
 - e. Review of additional material, to include:
 - TECB Advisory Committee funding study that was a recommendation from TACIR's 2006 study.
 - TECB Policy Advisory Committee's recommendation to eliminate the carrier cost recovery program and expand the \$14 million operating budget to \$22 million.
 - TECB 2007-2008 Annual Report
 - Information gathered by TECB during its public meetings
 - Stakeholder comments
 - Staff recommendation: Invite stakeholders to submit written comments that will be posted online and distributed to Commission members.
 - f. TACIR staff proposals for rate structure and new funding scenarios

2. The final report will contain two main sections, each drawing upon the data collected in the above research components, as well as from guidance from the Commission:
 - a. Funding
 - Current funding
 - Emerging risks to funding
 - Wireless
 - Other technology and infrastructure upgrades
 - Examples of revised funding scenarios
 - Increased rate scenarios
 - Expanded base scenarios
 - Combination scenarios
 - Economies of scale
 - Elimination of the carrier cost-recovery program
 - b. Contributing Factors
 - Technology issues
 - Structural issues
3. The study's timeline is as follows:
 - Research plan presented at the September 2009 Commission Meeting.
 - Progress report (including findings and initial recommendations) presented at the December 2009 Commission Meeting.
 - Staff recommendation: Sub-committee appointed at the December 2009 Commission meeting to approve a draft report before it is sent electronically to all Commissioners.
 - Draft report distributed electronically to the Commission in early 2010 for approval.
 - Final report presented to the House State and Local Government Committee April 1, 2010.

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 204

February 2, 2009

SUMMARY OF BILL: Increases the monthly cell phone service charge from \$1 to \$1.50. Reallocates the distribution of this service charge from the Tennessee Emergency Communications Board (TECB) to local Emergency Communications Districts (ECDs) from 25 percent to 65 percent. An additional five percent of the revenue generated will be distributed to the 50 lowest populated ECDs.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$25,569,000/Emergency
Communications Fund/FY09-10**

**\$28,763,000/Emergency
Communications Fund/FY10-11**

**Increase State Expenditures - \$40,972,000/Emergency
Communications Fund/FY09-10**

**\$46,092,000/Emergency
Communications Fund/FY10-11**

Increase Local Revenue - \$40,972,000/FY09-10

\$46,092,000/FY10-11

Other Fiscal Impact - The increase in revenue and expenditures will increase each year as the number of cell phone subscribers grows.

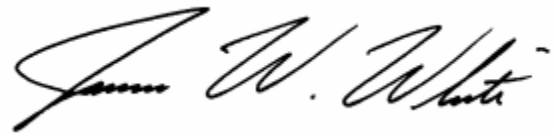
Assumptions:

- According to the Department of Commerce and Insurance, increasing the distribution from 25 percent to 65 percent and adding an additional five percent to low population ECDs will increase state expenditures \$40,972,000 in FY09-10 and \$46,092,000 in FY10-11.
- Increasing the service charge from \$1 to \$1.50 will generate an increase in state revenue of \$25,569,000 in FY09-10 and \$28,763,000 in FY10-11.
- Local government revenue will increase \$40,972,000 in FY09-10 and \$46,092,000 in FY10-11 as a result of the reallocation.

- Revenue and expenditures will increase in FY10-11 as the number of cell phone subscribers increases. The Department estimates an increase of four percent in cell phone subscribers in FY10-11.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/kmc