

MITS
Montana Independent Telecommunications Systems

HB 775 - Talking Points

BACKGROUND - CURRENT STATUTE

- **FEES:**
Currently every wireline and wireless subscriber pays 50 cents/month in 9-1-1 fees. 25cents goes towards the Montana Basic 9-1-1 service and the other 25 cents goes towards the Montana Enhanced 9-1-1 service. Basic 9-1-1 provides access to emergency services by providing the caller's telephone number to the Public Safety Answering Point. Enhanced E9-1-1 provides the caller's location in addition to its telephone number.

- **AVAILABILITY OF FUNDS:**
Distributions from the 9-1-1 accounts are currently available to both wireline and wireless telecommunications providers. Money received may only be used 1) to pay for installing, operating, and improving a 9-1-1 emergency telephone system; and 2) to modify central office switching and trunking equipment necessary to provide E9-1-1 service.

- **DISTRIBUTIONS:**
 - **First Distribution:** 3.74% of the money received must be deposited in the state general fund and is statutorily appropriated to the Dept of Admin.
 - **Subsequent Distributions:** Quarterly distributions to telecommunications providers of the entire account for appropriate costs (approved by Dept of Admin) incurred during the preceding quarter.
 - **Final Distributions:**
 - **Basic 9-1-1:** Balance is allocated to cities and counties on a per capita basis. Each county must be allocated a minimum of 1% of the balance of the counties' share of the account.
 - **Enhanced 9-1-1:**
 - 84% of account balance is allocated to cities and counties on a per capita basis, with 1% minimum allocation for each county.
 - 16% is distributed evenly to counties with 1% or less than 1% of the total population of the state.
 - After June 30, 2007, 100% of the balance of the account must be allocated to cities and counties on a per capita basis.

HB 775 - "Verizon Proposal"

- An additional 50 cents/month will be accessed on each *wireless* subscriber for Enhanced 9-1-1.
- The 50 cent fee is NOT accessed on prepaid wireless service, wireline subscribers, Voice over Internet (VoIP) subscribers, voice over cable subscribers, or any other telecommunications service other than commercial mobile radio service.
- **DISTRIBUTIONS:**
 - First distribution: Each wireless provider retains 2% of the total amount collected by the provider to offset administrative expenses. (billing and collecting, etc.)
 - Second distribution: The Dept of Administration is paid for the costs (unidentified and undefined) for 9-1-1 Account administration and accounting.
 - Third distribution: Next, half of the Account balance is available to Public Safety Answering Points (PSAPs) and half is available to wireless providers (only if they have been requested to provide E9-1-1 service.)
 - Provider distribution:
 - 84% of the monies allocated to the eligible wireless providers is allocated in proportion that the total amount of surcharges remitted (50 cents/subscriber) for the quarter bears to the total amount of surcharges remitted by all wireless providers for the quarter.
 - 16% is allocated in equal amounts to eligible wireless providers that have 10% or less each of the total number of wireless customers in the state.
 - Unreimbursed costs carry forward and oldest unpaid balances have the highest priority.
 - Distribution after June 30, 2010:
 - 2/3s of distribution (after wireless and Depart of Amin's distribution) goes to PSAPs
 - 1/3 of distribution goes to eligible wireless carriers
- **REIMBURSABLE COSTS:**
 - Actual costs to lease, purchase, install or maintain equipment
 - Actual costs to lease, purchase, install or maintain data bases
 - For functionality for E9-1-1
 - **IT DOES NOT INCLUDE ELIGIBLE CARRIERS' RECURRING COSTS INCLUDING TRANSPORT AND DATABASE CONVERSION REQUIRED FOR E9-1-1 FUNCTIONALITY.**
 - These costs are the largest costs incurred by Montana rural wireless providers. For example, a typical monthly Provider cost for database conversion is \$9,000 to \$12,000.

HB 775 - Unresolved Issues

- There is no cost basis for imposing a new 50 cent tax on wireless telephone subscribers.
- There is no cap on State administrative costs.
- There is no cost basis for the distribution split between PSAPs and carriers.
- There is no cost basis for the allocations to wireless providers.
- The defined reimbursable costs does not provide sufficient recovery of the actual recurring and nonrecurring costs that wireless providers will incur for E9-1-1 wireless deployment.
- There is no sufficient mechanism to ensure *statewide* access to emergency services for wireless users. Wireless telecommunications is mobile telecommunications. It is not good public policy to implement a 9-1-1 cost recovery mechanism that fails to adequately fund PSAPs and wireless carriers so that wireless subscribers have access to E9-1-1 throughout the *entire* state of Montana.
- HB 755 does not address the realities of Montana wireless usage. For example, in 2004, nearly 40% of wireless telecommunications having access via Sagebrush Cellular in northeastern Montana was actually roaming telecommunications -- that is, for example, customers of companies such as Verizon that were "traveling through" the Nemont service area. Good public policy should ensure that all customers have access to public safety everywhere in Montana regardless of who their telecommunications carrier is.