

Testimony of:



before the

**House Veterans Affairs &
Emergency Preparedness Committee**

Wednesday, January 8, 2014

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Good afternoon, Chairman Barrar, Chairman Sainato and members of the committee. As the Director of State Government Relations for Verizon 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 I have testified in the previous three hearings, Verizon is proud to play a leading role in public safety and to be part of the ecosystem of first responders, call-takers and communications companies to ensure that – when a person dials 911 – the call is delivered to the correct 911 call center and first responders are dispatched.

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 state and local investment in Internet Protocol ("IP")-enabled next-generation (or "NG911") systems that will enable consumers to communicate with public safety in a manner more consistent with the enhanced capabilities of commercial technologies. 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% of the 911 calls in Pennsylvania during 2012 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 must fairly accommodate existing technologies and those yet to emerge. It must provide a firm foundation for the 911 system of the future without stifling innovation or discouraging new technologies. But 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.

Verizon has worked with members and staff of this committee, public safety representatives and the telecommunications industry to help craft replacement legislation that is appropriate for today's world, and that draft is before you. This industry-supported legislation would replace 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.

This legislation also contains provisions designed to promote efficiency in the administration of PSAPs, positioning them to take full advantage of emerging technologies, such as NG 911, by encouraging the regionalization of technology. While the current county-by-county system worked for close to 25 years, it is certainly not the most efficient way to handle 911 services and funding today. Other states have moved to regional or even state-wide PSAPs and several Pennsylvania counties have taken advantage of cooperative ventures, such as the Northern Tier Regional NG 911 Telecommunications project, where Cameron, Clarion, Clearfield, Elk, Forest, Jefferson, McKean and Warren counties worked together to migrate from the individual silo model to a regional network, thereby improving technology and operations while reducing the cost to their taxpayers.

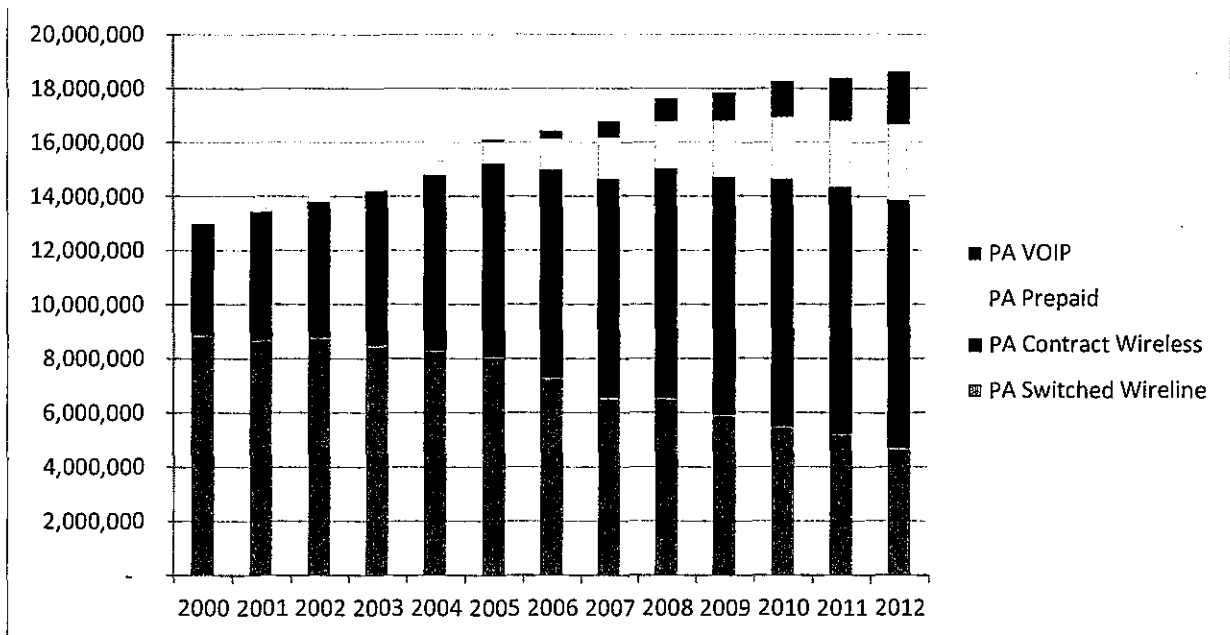
A key issue that needs to be updated in the new law is the funding of the 911 system. Although we believe that 911 is an essential government service that should be funded with appropriations from general fund revenues, for the present we continue to support funding the system through the continued imposition of a 911 fee on our bills. But that fee must be competitively 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 with the changing dynamics in the telecommunications industry,

and it should be replaced with a uniform, statewide fee on the services customers are actually using to call 911.

While the industry supports a uniform, technologically-neutral 911 fee set by statute, we have not reached consensus on the appropriate level of that fee. As public policy makers, you should set a fee that is sufficient to fund the costs to connect a telecommunications user with a PSAP but keep that fee as low as possible so as to avoid overburdening our consumers, the taxpayers. To that point, it is important to recognize that market changes have not diminished the overall revenue collected to support the 911 system. 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, there were an estimated 9 million landlines in 2000 and over 18 million wireline, wireless and VoIP lines at the beginning of 2013.

PA Telephone Subscribers, 2000-2012

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



So, the fact that the number of landlines has declined does not mean that total 911 funding has diminished. Since 2000, there has been a cumulative loss of switched landlines of approximately 4.1 million, but this loss has been offset by gains in contract wireless (5 million lines), prepaid wireless (2.6 million lines) and Voice over IP (1.9 million). Even if one were to assume that every lost landline paid the maximum \$1.50 fee (which is not the case in highly competitive Philadelphia, Allegheny, Montgomery and Delaware counties where the fee is only \$1.00), the trend still indicates a *net gain* in overall 911 revenue since 2000:

Wireless and VoIP gains: $9,542,991 \times \$12/\text{yr.} = \$114,515,892$ (\$1.00/mo.)
Landline loss: $4,174,733 \times \$18/\text{yr.} = \$75,145,194$ (assuming \$1.50/mo.)

Estimated Net Revenue Gain: \$39,370,698

Those numbers only confirm that 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 every month, there is going to be a net increase in revenue even as people cut the cord.

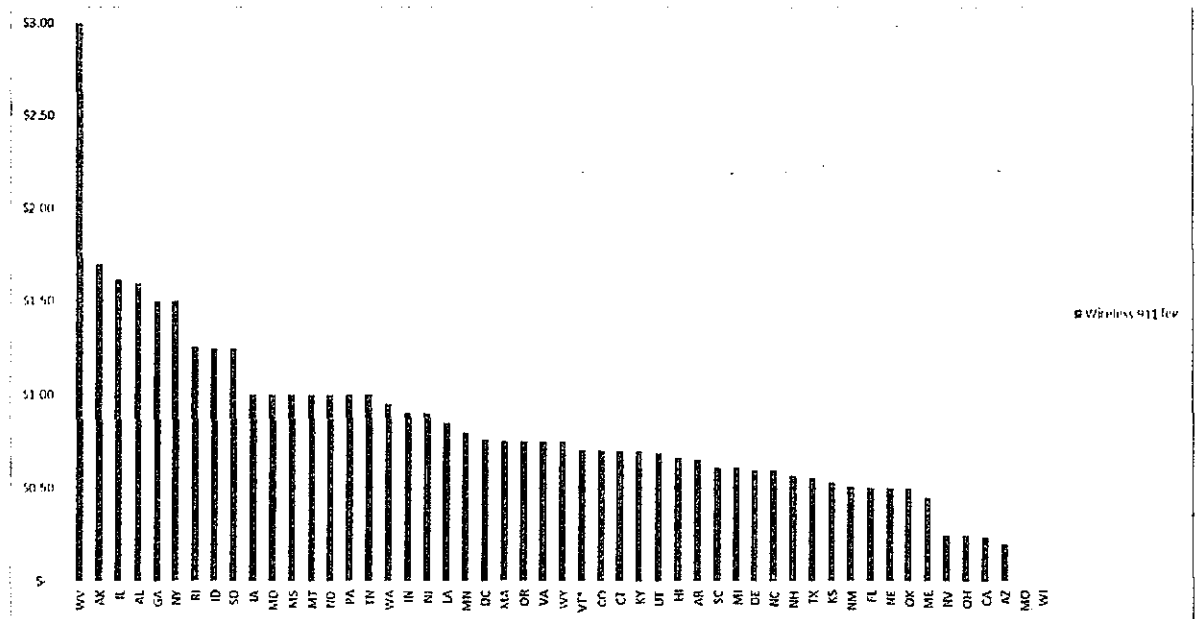
We have taken a look at the numbers and determined that a uniform fee on all lines in the amount of \$1.06 would collect approximately the same revenue being collected today by the current fee system (just over \$200 million). While some increase in overall revenue might be reasonable to provide additional funds to support efficiency and modernization projects such as regionalization of technology, voluntary PSAP regionalization and the adoption of next generation 911, this would not require a large increase in the fee. Given the huge number of lines being assessed, an increase of no more than 15-20% over the revenue neutral amount of \$1.06 would, in our opinion, provide the necessary funding.

To demonstrate what higher fees would drive, we took some hypothetical proposals and calculated the following:

- a \$1.25 rate is an 18%, \$38 million tax increase (a \$33 million increase on wireless customers alone);
- a \$1.50 rate is a 42%, \$87 million tax increase (a \$65 million increase on wireless customers);
- and a \$2.00 rate is a 90%, \$185 million tax increase (a \$131 million increase on wireless customers).

Pennsylvania already has one of the highest monthly wireless 911 fees in the United States at \$1.00. 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 are not imposed in other states such as West Virginia.

Monthly Wireless 911 Fees by State



In conclusion, Verizon believes that ensuring all counties, including rural counties, are receiving adequate funding with a uniform fee, can and should be accomplished with a fair and reasonable formula that distributes revenue to the PSAPs, ensuring that total funds are used in the most cost-efficient manner possible while providing incentives to move towards next generation technology across the commonwealth.

Thank you for this opportunity to appear before you. When our panel concludes its testimony, we will be happy to answer any questions that you may have.