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FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/19
LAST UPDATED 3/10/19 **HB** 439/HSEICS
SPONSOR HSEIC
SHORT TITLE Enhanced 911 Consultation **SB** _____
ANALYST Gaussoin/Fresquez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$30.0	\$498.0	\$498.0	\$1,026.0	Recurring	911 Enhancement Fund (74500)

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB472/SRCS

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Department of Information Technology (DoIT)

Department of Public Safety (DPS)

No Responses Received

Association of Counties

SUMMARY

Synopsis of Bill

House State Government, Elections and Indian Affairs Committee Substitute for House Bill 439 amends 63-9D-1 through 63-9D-17 NMSA of the Enhanced 911 Act by transferring the responsibility of the administration of the Enhanced 911 (E-911) program from the Department of Finance and Administration (DFA) Local Government Division (LGD) to the Department of Information Technology (DoIT). The bill increases the amount DoIT may spend for administration and coordination activities of the E-911 program by increasing the statutorily allowed administrative fee from 5 percent to 7 percent. The substitute maintains the creation of an Enhanced 911 Advisory Board as in the original bill. The substitute bill also updates sections of the Tax Administration Act, primarily to include prepaid wireless enhanced 911 for the 911 emergency surcharge.

FISCAL IMPLICATIONS

The E-911 program is supported by revenues generated through a 51 cent surcharge on landline and wireless phone bills, including voice-over-internet protocol (VoIP) lines. Statute (Section 63-9D-8 NMSA 1978) creates the enhanced 911 fund and provides for DFA to expend no more than 5 percent of all money deposited annually in the fund for administering and coordinating activities with implementation of the E-911 Act. House Bill 588 increases the administrative fee from 5 percent to 7 percent. Increasing the administrative fee will limit the funds available to public safety answering points (PSAPs) for E-911 equipment and system upgrades.

Historically the E-911 fund (74500) has a balance over \$11 million. Revenues funding E-911 services have declined 14 percent between FY11 and FY18. Expenses also decreased 29 percent, and while the administrative fee has averaged 4 percent, over the same period of time.

Department of Finance and Administration - Local Government Division

Revenue and Expenditures - E911 Fund (74500)

(in thousands)

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 Estimate
Beginning Fund Balance	\$11,366.2	\$12,145.3	\$12,525.7	\$11,619.2	\$14,083.4	\$13,711.6	\$11,460.0	\$4,719.5	\$7,323.1
Revenues:									
Federal Grants	\$812.6	\$76.3	\$0.0	\$0.0	\$0.0	\$0.0			
E911 Surcharges	\$13,495.7	\$12,157.5	\$12,011.8	\$11,811.5	\$11,303.1	\$11,062.2	\$10,792.5	\$12,230.2	\$13,727.5
Interest earned	20.5	\$18.8	\$30.6	\$6.9	\$11.4	\$28.0	\$36.5	\$49.4	\$47.2
Other Revenue	\$4.7	\$0.9	\$3.2	\$126.0	\$0.2	\$0.2	\$3.3	\$8.2	\$0.3
Total Revenues	\$14,333.5	\$12,253.5	\$12,045.6	\$11,944.4	\$11,314.7	\$11,090.4	\$10,832.3	\$12,287.8	\$13,775.0
Expenditures:									
LGD Admin. Costs	\$582.8	\$506.6	\$393.6	\$496.0	\$468.8	\$511.9	\$457.8	\$238.4	\$556.2
Grants to Others (1)	\$12,971.6	\$11,366.5	\$13,542.5	\$8,984.2	\$11,217.7	\$12,829.6	\$11,115.0	\$9,445.8	\$9,259.3
Other fiscal support-miscellaneous						\$0.5			
Total Expenditures	\$13,554.4	\$11,873.1	\$13,936.1	\$9,480.2	\$11,686.5	\$13,342.0	\$11,572.8	\$9,684.2	\$9,815.5
Transfer out - solvency							\$6,000.0		
Over/Under	\$779.1	\$380.4	(\$1,890.5)	\$2,464.2	(\$371.8)	(\$2,251.6)	(\$740.5)	\$2,603.6	\$3,959.5
FYE Fund Balance	\$12,145.3	\$12,525.7	\$10,635.2	\$14,083.4	\$13,711.6	\$11,460.0	\$4,719.5	\$7,323.1	\$11,282.6

Source: DFA Financial Audits and DFA-DoIT Board of Finance Documents

(1) Includes E-911 maintenance and operating costs and E-911 upgrade projects for Public Safety Answering Points also known as call centers

If House Bill 439 passes the E-911 budget would move to DoIT making it a zero impact for DoIT. However, if the bill passes the administrative fee would increase to 7 percent, therefore, increasing the program administration budget. With DoIT and DFA estimating FY20 E-911 program revenues of \$13.8 million, consistent with the FY19 projection, the 7 percent administrative fee would increase to \$966 thousand. Since FY11, the annual administrative costs average \$468 thousand. If the bill passes, the annual administrative cost would increase by \$498 thousand or 106 percent. This increase in administrative fees would decrease the available funds for E-911 equipment and system upgrades.

SIGNIFICANT ISSUES

While DoIT indicates the make-up of the board provides good representation of all stakeholders, it argues representatives of “public-safety answering point” entities – emergency call centers – should have a voting majority. Call centers receive the funding, operate the highly technical systems, and serve fire, law enforcement, and emergency medical responders. DoIT recommends subcommittees be formed for fire, law enforcement, emergency medical services, and geographic information systems.

DoIT notes participation of the call centers on the advisory committee should help implementation of NG (Next Generation) 911, intended to address issues with mobile phones, and other technology advancements.

The DFA authorized staffing level for the E-911 program includes 4 FTE and 1 FTE providing financial support as part of the duties for administering LGD programs. Since 2017, three of the four FTE positions have been vacant. DFA’s FY18 financial audit reported the E-911 fund balance increased due to a reduction in staff and the inability to complete E-911 system upgrades.

Although DoIT’s FY19 operating budget funds all vacant positions, the department currently has a 39 percent vacancy rate.

PERFORMANCE IMPLICATIONS

In New Mexico, the responsibility and authority for delivering emergency medical services, public fire protection, and law enforcement generally rests with the state, counties, and municipalities.

The purpose of the Enhanced 911 Act [63-9D-1 through 63-9D-11.1 NMSA 1978] to further the public interest and protect the safety, health and welfare of the people of New Mexico by enabling the development, installation and operation of enhanced 911 emergency reporting systems to be operated under shared state and local governmental management and control.

DFA asserts the advisory board membership will allow direct input from those entities directly impacted by 911 funding and will improve collaboration with local stakeholders. Further the advisory board would be essential in developing the planning process for NG-911.

DoIT asserts input from a formal advisory board will improve collaboration with local stakeholders.

ADMINISTRATIVE IMPLICATIONS

Statutorily the Local Government Division of DFA is responsible for administering the E-911 program. However, since January 2018, under a memorandum of understanding, DoIT is responsible for the operational goals of the program, with DFA retaining the financial aspects of the program and provides for the transfer of E-911 program staff to DoIT. DoIT and DFA also established a Joint Powers Agreement in January 2018 detailing roles and responsibilities to ensure management of the program maintains the statutory requirements.

Statute requires DFA to annually report to the legislature on the status of the E-911 fund and whether the current level of the 911 surcharge is sufficient, excessive or insufficient to fund the anticipated needs of the program. As of this writing the status of the annual report is unknown.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB472 duplicates HB439 and conflicts with HB588, Move E911 Program to Dept. of Info Tech.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The E911 program would continue to be administered by DoIT through a Joint Powers Agreement with DFA instead of transferring the program permanently to DoIT by statute.

HFG/BDF/al/gb