



STATEMENT OF AT&T CONNECTICUT

**Regarding Raised Senate Bill No. 354
AN ACT CONCERNING THE ENHANCED EMERGENCY
9-1-1 PROGRAM
Before the Committee on Finance, Revenue and Bonding
March 12, 2012**

Proposal:

Raised Senate Bill No. 354 would institute a point-of-sale 9-1-1 fee collection process for prepaid wireless phone customers.

Comments:

AT&T strongly supports Raised Senate Bill No. 354, appreciates the committee raising the legislation and urges its adoption.

Connecticut's 9-1-1 system is funded through a monthly user charge which is established through an annual proceeding at the Public Utilities Regulatory Authority ("PURA") and is based on the budget to run the 9-1-1 system. Currently, the monthly fee is set at 50 cents which is also the statutory cap for the fee.

Wired telephone customers are assessed the fee on their monthly bills and the funds are collected by carriers and remitted to the state. Post-paid wireless customers – those are customers who pay for their service on a monthly post-usage basis – are likewise assessed the fee on their monthly bills and the funds are collected by carriers and remitted to the state. However, for prepaid wireless customers, there is no monthly bill, and the service is paid for the majority of the time in retail stores. The provider also has no reliable way to determine which state the customer purchased the service. Federal law sets forth that the state of primary use can apply a tax or fee for post-paid wireless. That law specifically excludes prepaid wireless. Therefore, it is unclear which state has the right to tax the charge for prepaid particularly if the customer travels.

Providers have tried to establish mechanisms for the remittance of 9-1-1 fees for customers who use prepaid wireless services. However, all of the methods are deficient in a number of respects, which allows many such prepaid customers to "game" the system and avoid paying their fair contribution to the state's 9-1-1 operations. For example, customers routinely give an invalid zip code which is used to determine what jurisdiction is due the 9-1-1 fee. Under the decrement method, some customers will purposely ensure that they have no minutes left on their account on the day in which carriers subtract minutes from the account to settle the owed 9-1-1 fees of the customer. As a result of this activity, millions of dollars a year in owed 9-1-1 fees go uncollected, which robs the state of needed dollars to support the system and increases the costs of all the users who play by the rules and pay their fair share.

Raised Senate Bill No. 354 would ensure that all users pay their fair share of their 9-1-1 fees by instituting a point-of-sale collection process for 9-1-1 fees on prepaid wireless service. At the time of purchase, a customer of a prepaid service – be it a prepaid phone or minutes – the customer would be charged 50 cents for their 9-1-1 contribution. The fee would be collected by the retailer and remitted in the same manner as sales taxes are collected today on prepaid wireless service.

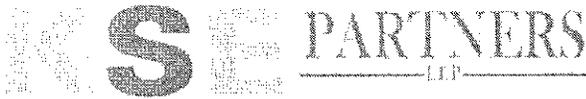
Instituting this change for prepaid wireless customers will result in the state collecting an additional \$2.2 million in 9-1-1 fees which today are not collected by virtue of users who avoid paying the fee. This estimate was derived using proprietary data from carriers providing service in Connecticut. Such estimates have been used in other states and have always under-represented the actual additional dollars that were brought into 9-1-1 funds after states instituted point-of-sale laws. A copy of the estimate is attached to our testimony.

The legislation, which is before you, is based on model legislation which was developed under the auspices of the National Conference of State Legislatures and involved the participation of carriers, retailers, public safety officials, and tax departments. Thus far, nineteen states have already enacted similar legislation with bills pending in another ten legislatures.

Lines 168-170 make additional changes to the 9-1-1 fee paid by all wireless customers. Historically, the legislature and the PURA created a “progressive wire line inclusion schedule” which gives a discount on the monthly rate paid by consumers and businesses with more than one phone at a location. This discount was provided because it was assumed that all the users at a physical location would not, at the same time, make a call to 9-1-1 to report an emergency; and, therefore, the fee which is assessed should be lower. A number of years ago, the PURA applied this wireline discount to wireless phones as well, even though by their very nature wireless phones are not typically located at the same location and therefore the rationale for the discount does not exist. Lines 168-170 eliminate this discount for wireless phones. Eliminating the progressive wireline schedule for wireless subscribers would bring in an additional \$4.4 million to the state’s 9-1-1 fund. The previously referenced and attached estimate provides information with respect to the additional revenue which would be generated as well from the elimination of the progressive wire line schedule.

Conclusion:

AT&T strongly supports Raised Senate Bill No. 354 and urges the Committee’s favorable approval of the legislation.



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MEMO

TO: Wireless Carriers

FROM: Scott Mackey

DATE: February 9, 2012

RE: Connecticut Prepaid POS 911 Fee Revenue Estimate -- REVISED

This memorandum updates the December 18, 2011 prepaid revenue estimate to reflect new variables, including the repeal of the progressive rate schedule and a higher proposed prepaid wireless 911 fee. This estimate reflects the additional revenue from prepaid at a \$.50 rate and estimates the higher revenues attributable to repeal of the progressive rate structure. It does not include the impact of the rate increase from the underlying fee on traditional landline and single line postpaid wireless plans.

The prepaid point-of-sale provision with a \$.50 rate would increase current revenues to the 911 fund by an estimated \$2.2 million. The repeal of the progressive rate structure would increase current revenues by an estimated \$4.5 million at the current \$.50 rate. Taken together, these two provisions are estimated to increase revenues by \$6.7 million. This estimate is based on actual subscriber profiles from four large wireless carriers that were "grossed up" to generate an estimate for the entire industry.

If you have any questions, let me know.

Connecticut Prepaid Wireless Point of Sale Revenue Worksheet

Flat Fee Revenue Estimate					Source: FCC Local Competition Report: Status as of December 31, 2010 Estimated from FCC Local Competition Report and CTIA
FCC Reported Subscribers (Postpaid and Prepaid) as of December 2010	3,230,000				
Assumed 2.0% increase Dec 10 to Dec 11	51,680				
Estimated CT Wireless Subscribers 12/2011	3,281,680				
Estimated Prepaid Wireless Market Share	21.2%				CTIA Semi Annual Report, November, 2011
Estimated CT Prepaid Subscribers 12/2010 from FCC Data	695,716				
less 10% inactive accounts, exemptions, etc.	69,372				
Estimated CT Paying Subscriber accounts	626,145				
Proposed Point of Sale Charge Amount	\$ 0.50				
Prepaid Subscriber Average Purchase / Usage Profile		Monthly Rev. Per Consumer	Aggregate Rev		
Recharge 2X per month	20%	\$ 1,000	\$ 125,229		
Recharge Monthly	60%	\$ 0.500	\$ 187,843		
Recharge every 2 months	15%	\$ 0.250	\$ 23,480		
Recharge Every 3 months	5%	\$ 0.167	\$ 5,213		
Total monthly revenue			\$ 341,765		
less 3% dealer collection			\$ 10,253		
less 2% DOR			\$ 6,835		
Revenue / month at proposed amount			\$ 324,677		
12 months			12		
ESTIMATED POS REVENUE -- FLAT FEE			\$ 3,896,125		
ESTIMATED EXISTING REVENUE FROM ACTUAL REPORTED			\$ 1,709,062		
ESTIMATED NEW REVENUE			\$ 2,187,063		
Reporting carriers for estimate of existing revenue:					
AT&T					
Sprint (Boost Mobile)					
TracFone					
Verizon Wireless					
Virgin Mobile					
T-Mobile					

Progressive Rate Schedule Repeal -- Estimated Revenues

Reporting Carrier Estimate \$ 4,063,155

Gross up missing carriers 10%

Estimated Additional Grossup \$ 406,316

Total Revenue -- Current Rate \$ 4,469,471

\$ 4,469,471

Reporting Carriers:

AT&T

Sprint

T-Mobile

Verizon