

Michigan Department of Licensing and Regulatory Affairs  
**Office of Regulatory Reinvention**  
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**REGULATORY IMPACT STATEMENT  
and  
COST-BENEFIT ANALYSIS**

**PART 1: INTRODUCTION**

In accordance with the Administrative Procedures Act (APA) [1969 PA 306], the department/agency responsible for promulgating the administrative rules must complete and submit this form electronically to the Office of Regulatory Reinvention (ORR) no less than (28) days before the public hearing [MCL 24.245(3)-(4)]. Submissions should be made by the departmental Regulatory Affairs Officer (RAO) to **orr@michigan.gov**. The ORR will review the form and send its response to the RAO (see last page). Upon review by the ORR, the agency shall make copies available to the public at the public hearing [MCL 24.245(4)].

Please place your cursor in each box, and answer the question completely.

**ORR-assigned rule set number:**

2014-135 LR

**ORR rule set title:**

Emergency 9-1-1 Services Multiline Telephone Systems

**Department:**

Licensing and Regulatory Affairs

**Agency or Bureau/Division**

Public Service Commission (PSC)

**Name and title of person completing this form; telephone number:**

Lisa Gold; (517) 241-6015

**Reviewed by Department Regulatory Affairs Officer:**

Liz Arasim  
Department of Licensing and Regulatory Affairs

## **PART 2: APPLICABLE SECTIONS OF THE APA**

### **MCL 24.207a “Small business” defined.**

Sec. 7a.

“Small business” means a business concern incorporated or doing business in this state, including the affiliates of the business concern, which is independently owned and operated and which employs fewer than 250 full-time employees or which has gross annual sales of less than \$6,000,000.00.”

### **MCL 24.240 Reducing disproportionate economic impact of rule on small business; applicability of section and MCL 24.245(3).**

Sec. 40.

(1) When an agency proposes to adopt a rule that will apply to a small business and the rule will have a disproportionate impact on small businesses because of the size of those businesses, the agency shall consider exempting small businesses and, if not exempted, the agency proposing to adopt the rule shall reduce the economic impact of the rule on small businesses by doing all of the following when it is lawful and feasible in meeting the objectives of the act authorizing the promulgation of the rule:

(a) Identify and estimate the number of small businesses affected by the proposed rule and its probable effect on small businesses.

(b) Establish differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.

(c) Consolidate, simplify, or eliminate the compliance and reporting requirements for small businesses under the rule and identify the skills necessary to comply with the reporting requirements.

(d) Establish performance standards to replace design or operational standards required in the proposed rule.

(2) The factors described in subsection (1)(a) to (d) shall be specifically addressed in the small business impact statement required under section 45.

(3) In reducing the disproportionate economic impact on small business of a rule as provided in subsection (1), an agency shall use the following classifications of small business:

(a) 0-9 full-time employees.

(b) 10-49 full-time employees.

(c) 50-249 full-time employees.

(4) For purposes of subsection (3), an agency may include a small business with a greater number of full-time employees in a classification that applies to a business with fewer full-time employees.

(5) This section and section 45(3) do not apply to a rule that is required by federal law and that an agency promulgates without imposing standards more stringent than those required by the federal law.

**MCL 24.245 (3)** “Except for a rule promulgated under sections 33, 44, and 48, the agency shall prepare and include with the notice of transmittal a **regulatory impact statement** containing...” (information requested on the following pages).

[**Note:** Additional questions have been added to these statutorily-required questions to satisfy the **cost-benefit analysis** requirements of Executive Order 2011-5.]

**MCL 24.245b Information to be posted on office of regulatory reinvention website.**

Sec. 45b. (1) The office of regulatory reinvention shall post the following on its website within 2 business days after transmittal pursuant to section 45:

- (a) The regulatory impact statement required under section 45(3).
  - (b) Instructions on any existing administrative remedies or appeals available to the public.
  - (c) Instructions regarding the method of complying with the rules, if available.
  - (d) Any rules filed with the secretary of state and the effective date of those rules.
- (2) The office of regulatory reinvention shall facilitate linking the information posted under subsection (1) to the department or agency website.

### PART 3: DEPARTMENT/AGENCY RESPONSE

Please place your cursor in each box, and provide the required information, using complete sentences. Please do not answer the question with “N/A” or “none.”

#### Comparison of Rule(s) to Federal/State/Association Standards:

(1) Compare the proposed rule(s) to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist. Are these rule(s) required by state law or federal mandate? If these rule(s) exceed a federal standard, please identify the federal standard or citation, and describe why it is necessary that the proposed rule(s) exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.

There are no parallel federal rules or comprehensive set of state standards for 9-1-1 multiline telephone system (MLTS) identification responsibilities.

(2) Compare the proposed rule(s) to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities. If the rule(s) exceed standards in those states, please explain why, and specify the costs and benefits arising out of the deviation.

Other states have similar MLTS rules and laws in place to address 9-1-1 location accuracy for multiline telephone systems. Please see <http://www1.911enable.com/resource-center/state-e911-legislation>. The proposed rule revision does not deal with issues of geographic location, topography, or natural resources.

(3) Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rule(s). Explain how the rule has been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.

The PSC is not aware of any.

#### Purpose and Objectives of the Rule(s):

(4) Identify the behavior and frequency of behavior that the proposed rule(s) are designed to alter. Estimate the change in the frequency of the targeted behavior expected from the proposed rule(s). Describe the difference between current behavior/practice and desired behavior/practice. What is the desired outcome?

When an emergency call is placed from a multiline telephone system to a 9-1-1 network, it is essential that the responding personnel be able to locate the caller. MCL 484.1405 requires each service user with a MLTS to install the necessary equipment and software to provide specific location information for the origin of a 9-1-1 call and also requires that the law apply to multiline telephone systems regardless of the system technology. MCL 484.1413(d) authorizes the PSC to promulgate rules regarding the requirements for multiline telephone systems. The PSC promulgated such rules in 2011. These rules establish the responsibilities, exemptions, and remedies applicable to MLTS users who must implement the locator technologies. The statute requires MLTS users to implement the technology by December 31, 2016, unless the user meets one of the exemption criteria listed in the rules.

MCL 484.1413(2) requires the PSC to consult with and consider the recommendations of the State 9-1-1 Committee (Committee) in the promulgation of its MLTS rules. Even though the rules are based on the recommendations of the Committee, the Committee recently filed a request with the PSC to revise the MLTS rules in order to ensure that all MLTS users install the required equipment. MCL 484.1405 makes the requirement for installation of the equipment applicable to “each service user with a multiline telephone system.” Though the statute is applicable to all such users, the Committee is concerned that the space designations contained in R 484.903 (Rule 3) may cause some covered MLTS users to think

that they need not install the required equipment because the size or layout of their building(s) is excluded from the definitions of covered spaces included in Rule 3(2)-(5). For example, the following entities might assume that they are not covered by the statute: (1) a one-floor building larger than 40,000 sq. ft.; (2) a multi-floor building between 7,000 and 40,000 sq. ft.; (3) multiple one-floor buildings between 7,000 and 40,000 sq. ft. with a single address; and (4) multiple multi-floor buildings larger than 40,000 sq. ft. with a single address.

At a minimum, the Committee asserts the space designations included in Rule 3 may cause confusion and could result in inadvertent or intentional noncompliance with the rule. The goal of amending this rule is to clarify any ambiguities that the current language presents and ensure compliance with the rule as the standards were intended.

On the recommendation of the Committee, the PSC proposes to revise Rule (3) as follows:

R 484.903 Multiline telephone system operator responsibilities.

Rule 3. (1) The MLTS operator shall assure that the multiline telephone system is capable of routing 9-1-1 calls to the 9-1-1 network, and answered by a primary PSAP, in a manner that the calls result in accurate ALI and ANI that can be verified in the 9-1-1 location database and include the specific location of the communications device.

(2) For a building having its own street address and containing an occupied area of ~~40,000 square feet or less~~ **more than 7,000 square feet**, all located on a single floor and on a single contiguous property, the MLTS operator shall identify the specific location of each communications device, including the street address.

(3) For a building having its own street address and containing an occupied area of more than ~~40,000~~ **7,000** square feet on multiple floors, the MLTS operator shall identify the specific location of each communications device including the street address and building floor.

(4) For separate buildings, using 1 MLTS, containing a total occupied area ~~between 7,000 square feet and 40,000~~ **of more than 7,000** square feet on multiple floors and on a single contiguous property having a common public street address, the MLTS operator shall identify the specific location of each communications device in each building, including the street address, building floor, and any unique building identifier, if applicable.

(5) For separate buildings, using 1 MLTS, containing an occupied area of more than ~~40,000~~ **7,000** square feet, all located on a single floor and on a single contiguous property and having a common public street address, the MLTS operator shall identify the specific location of each communications device in each building, in addition to the street address.

(5) Identify the harm resulting from the behavior that the proposed rule(s) are designed to alter and the likelihood that the harm will occur in the absence of the rule. What is the rationale for changing the rule(s) and not leaving them as currently written?

See #4.

(6) Describe how the proposed rule(s) protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.

See #4.

(7) Describe any rules in the affected rule set that are obsolete, unnecessary, and can be rescinded.

None.

**Fiscal Impact on the Agency:**

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, an increase in the cost of a contract, programming costs, changes in reimbursement rates, etc. over and above what is currently expended for that function. It would not include more intangible costs or benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

(8) Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings on the agency promulgating the rule).

The proposed rule revision is intended to close a potential loophole; the rule is already being enforced according to the language that would be included in the rule revision, so there is no new cost imposed upon the agency. The agency will incur costs for publication of notice announcing the public hearing on the rule revision. That cost is estimated to be approximately \$4,000.

(9) Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rule(s).

See #8.

(10) Describe how the proposed rule(s) is necessary and suitable to accomplish its purpose, in relationship to the burden(s) it places on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts. So despite the identified burden(s), identify how the requirements in the rule(s) are still needed and reasonable compared to the burdens.

See #4.

**Impact on Other State or Local Governmental Units:**

(11) Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions on other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Please include the cost of equipment, supplies, labor, and increased administrative costs, in both the initial imposition of the rule and any ongoing monitoring.

None. See #8.

(12) Discuss any program, service, duty or responsibility imposed upon any city, county, town, village, or school district by the rule(s). Describe any actions that governmental units must take to be in compliance with the rule(s). This section should include items such as record keeping and reporting requirements or changing operational practices.

None. See #8.

(13) Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rule(s).

None. See #8.

**Rural Impact:**

(14) In general, what impact will the rules have on rural areas? Describe the types of public or private interests in rural areas that will be affected by the rule(s).

None.

**Environmental Impact:**

(15) Do the proposed rule(s) have any impact on the environment? If yes, please explain.

None.

**Small Business Impact Statement:**

*[Please refer to the discussion of "small business" on page 2 of this form.]*

(16) Describe whether and how the agency considered exempting small businesses from the proposed rules.

The Legislature enacted MCL 484.1405, and chose to include all MLTS operators. The rules apply to all MLTS operators with businesses located in a building greater than 7,000 square feet in size and with unique rooms or unit numbers, room names, or equivalent unique designations to identify the specific location. With the number of businesses meeting this definition is in constant flux, it is difficult to estimate the number of businesses affected. The Administrative Procedures Act defines small business based on the number of employees instead of by the number of square feet in a building. See also #17(B).

(17) If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rule(s) on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rule(s) upon small businesses as described below (in accordance with MCL 24.240(1)(A-D)), or (b) the reasons such a reduction was not lawful or feasible.

None. The proposed revision has no specific impact on small businesses.

(A) Identify and estimate the number of small businesses affected by the proposed rule(s) and the probable effect on small business.

See #16.

(B) Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.

None. A separate rule within this rule set, Rule 4, which is not affected by this requested rule revision, provides exemptions for locations that have an alternative method of notification and adequate means of signaling and responding to emergencies. They are already subject to the rule.

(C) Describe how the agency consolidated or simplified the compliance and reporting requirements and identify the skills necessary to comply with the reporting requirements.

Not applicable.

(D) Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.

Not applicable.

(18) Identify any disproportionate impact the proposed rule(s) may have on small businesses because of their size or geographic location.

The rule is imposed according to the size of the building, both before and after revision. There is no impact according to geographic location.

(19) Identify the nature of any report and the estimated cost of its preparation by small business required to comply with the proposed rule(s).

No reports required for this rule revision.

(20) Analyze the costs of compliance for all small businesses affected by the proposed rule(s), including costs of equipment, supplies, labor, and increased administrative costs.

See #16.

(21) Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rule(s).

See #16.

(22) Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.

Small businesses will absorb the cost without suffering economic harm if they are allowed to pay for the initial cost of the software and equipment over time instead of in a lump sum. Similar sized businesses will have similar software and equipment costs. Since the capital outlay will be similar for similar sized businesses, competition will not be adversely affected. Again, the rule is already being enforced according to the proposed revision which is intended to close an alleged loophole identified by the Committee.

(23) Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.

There are no applicable costs.

(24) Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.

The Legislature chose against this. See also #16.

(25) Describe whether and how the agency has involved small businesses in the development of the proposed rule(s). If small business was involved in the development of the rule(s), please identify the business(es).

Small businesses were not involved in deliberation of this revision, which was proposed by the State 9-1-1 Committee.

#### **Cost-Benefit Analysis of Rules (independent of statutory impact):**

(26) Estimate the actual statewide compliance costs of the rule amendments on businesses or groups. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rule(s). What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.

None; compliance is already required, and the revision is closing a loophole.

(27) Estimate the actual statewide compliance costs of the proposed rule(s) on individuals (regulated individuals or the public). Please include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping). How many and what category of individuals will be affected by the rules? What qualitative and quantitative impact does the proposed change in rule(s) have on these individuals?

None.

(28) Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rule(s).

Cost reductions to government, individuals, and businesses as a result of the rule may include: faster response times by first responders, resulting in less damage to life and property and lower medical

costs. This applied to the original rule promulgation.

(29) Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rule(s). Please provide both quantitative and qualitative information, as well as your assumptions.

See #4.

(30) Explain how the proposed rule(s) will impact business growth and job creation (or elimination) in Michigan.

The rule revision is unlikely to have any significant or measurable impact on business growth and job creation.

(31) Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.

As currently, the rule governs all MLTS operators as defined in the rule.

(32) Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of a proposed rule(s) and a cost-benefit analysis of the proposed rule(s). How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., which demonstrate a need for the proposed rule(s).

The PSC relied upon its original regulatory impact statement, the proposal from the State 9-1-1 Committee, and input from its telecommunications division staff.

#### **Alternatives to Regulation:**

(33) Identify any reasonable alternatives to the proposed rule(s) that would achieve the same or similar goals. In enumerating your alternatives, please include any statutory amendments that may be necessary to achieve such alternatives.

None.

(34) Discuss the feasibility of establishing a regulatory program similar to that proposed in the rule(s) that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.

Not applicable.

(35) Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rule(s). This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.

Not applicable.

#### **Additional Information**

(36) As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.

Not applicable.

### **PART 4: REVIEW BY THE ORR**

**Date Regulatory Impact Statement (RIS) received:**

12-9-2014

<b>Date RIS approved:</b>	12-12-2014
<b>ORR assigned rule set number:</b>	2014-135 LR

<b>Date of disapproval:</b>	Explain:
<b>More information needed:</b>	Explain:

(ORR-RIS March 2014)