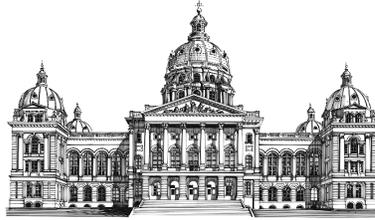


---

# Iowa Legislative Services Agency Fiscal Services

Dennis Prouty  
(515) 281-5279  
FAX 281-8027



State Capitol  
Des Moines, IA 50319  
June 21, 2006

---

## Enhanced 911 Program

### ISSUE

This *Issue Review* provides the history of the 2004 legislative changes related to the Enhanced 911 (E911) Program, and examines certain other issues regarding the Program.

### AFFECTED AGENCIES

Homeland Security and Emergency Management Division  
State and Local Public Safety Answering Points (PSAPS)

### CODE AUTHORITY

Section 34A.7A, Code of Iowa  
605, Iowa Administrative Code, Chapter 10  
501, Iowa Administrative Code, Chapter 13

### BACKGROUND

Senate File 530 (E911 Commission Act), passed by the 1998 General Assembly, established the E911 Program and initiated the collection of a \$0.50 surcharge per wireless phone subscriber, which began January 1, 1999. Senate File 2298 (FY 2005 Omnibus Appropriations Act) required the State's Enhanced 911 Program to facilitate Phase 2 implementation pursuant to federal requirements and to enable E911 dispatchers to locate cell phone callers by using the latitude and longitude coordinates of cell phones. In addition, the legislation addressed the increasing debt carryforward from wireless carrier billings for Phase 1. (Phase 1 provided the tower address and call back number of the E911 caller.) The actual cost to operate the E911 Program was \$0.58 per wireless phone subscriber, which created a carryforward debt of \$3.3 million. At the time the legislation was enacted, Iowa had 125 PSAPS, of which 56 (44.8%) were Phase 2 compliant. There are currently 124 PSAPS due to the consolidation of two in Muscatine.

In order to implement Phase 2 capabilities statewide, SF 2298 amended Section 34A.7A, Code of Iowa, by increasing the E911 wireless monthly surcharge from \$0.50 to \$0.65 per wireless phone subscriber. The Act also establishes a priority order for the distribution of these revenues as follows:

I  
S  
S  
U  
E  
  
R  
E  
V  
I  
E  
W

- Allocates \$50,000 per calendar quarter to fund salaries for 2.5 FTE positions (E911 Program Manager, a Program Planner, and a part-time accounting clerk) and authorizes the State Auditor to perform an annual audit of the Program.
- Allocates a reimbursement to wireless carriers for cost recovery up to 21.0%.
- Allocates a reimbursement for actual wire-line transport costs for local carriers.
- Allocates a reimbursement for actual automated location information costs for local carriers.
- Allocates to debt retirement (\$500,000 per quarter until January 1, 2006).
- Funds the 124 Public Safety Answering Points (PSAPS) at a minimum of \$1,000 each, per quarter. Prior to the debt retirement, up to \$159,000 per quarter will be allocated to the PSAPS. After the debt is paid, 24.0% of the total earnings will be distributed, with 65.0% of the total based on square miles and 35.0% based on call volume with a minimum of \$1,000 per PSAP.
- Creates a non-reversionary fund for the carryover operating surplus to be used for future Phase 2 network and PSAPS upgrades and improvements.

The Act also requires the State Auditor to perform an annual audit on the non-reversionary Wireless E911 Emergency Communications Fund, which is controlled by the E911 Program Manager. An annual report is required to be submitted to the Government Oversight Committee by January 15 of each year. A calendar quarter report of revenues and expenditures must be provided by the E911 Program Manager to the Legislative Services Agency, Fiscal Services Division, to be reviewed by the Government Oversight Committee. The Act also requires the Committee to review the priority order of the distribution of funds every two years. Pursuant to the legislation, the next review is July 2006.

### **CURRENT SITUATION**

The Government Oversight Committee was given the charge of monitoring the E911 Program on a quarterly basis due to the additional revenue generated from the increased surcharge in order to ensure the debt was eliminated and Statewide Phase 2 capability was accomplished. The General Assembly also intended the Committee to monitor the Program and provide oversight of operations. As of January 1, 2006, the debt was eliminated; and according to the E911 Program Manager, Statewide Phase 2 compliance should be achieved by July 1, 2006.

#### ***Digital Internet Protocol E911***

Prior to the Government Oversight Committee meeting on May 22, 2006, the E911 Program Manager had been in discussions with Qwest regarding the development of a pilot project with several PSAPS in the State to test Internet Protocol E911. This is a digital network that would allow greater redundancy, quicker call transfers, more network reliability, and the ability to transfer more data with the call to the PSAPS. Once the pilot PSAPS were determined, testing would have lasted approximately six months. At this point in time, costs for the pilot project cannot be determined. The Government Oversight Committee requested the E911 Program Manager cease Internet Protocol E911 discussions until after the next Legislative Council meeting on June 16, 2006, to determine if the project is above the intended scope of the carryforward fund. A Request for Information (RFI) was requested by the Oversight Committee from the E911 Program Manager.

**BUDGET IMPACT**

There are approximately 1.6 million wireless phone subscribers in Iowa, an increase of approximately 300,000 subscribers since July 1, 2004. Currently, the \$0.65 surcharge generates \$1.1 million per month or \$3.2 million per calendar quarter.

***Wireless E911 Emergency Communications Fund***

The following chart shows the amount of carryforward that has been deposited into the Fund on a quarterly basis, expenditures from the Fund, and the balances carried forward. The estimated average carry forward amount over the past seven calendar quarters is \$255,000. To date, the Fund has earned approximately \$7,500 in interest. Of the current \$1.5 million carryforward balance, \$400,000 has been obligated for Phase 2 expenditures to complete the Statewide upgrade by July 1, 2006.

	<b>Quarterly Carryforward Amount</b>	<b>Expenditures</b>	<b>Balance in Fund</b>
Calendar Quarter 3, 2004	\$ 109,000	\$ 0	\$ 109,000
Calendar Quarter 4, 2004	82,000	0	192,000
Calendar Quarter 1, 2005	168,000	279,000	80,000
Calendar Quarter 2, 2005	279,000	0	360,000
Calendar Quarter 3, 2005	97,000	0	457,000
Calendar Quarter 4, 2005	617,000	0	1,074,000
Calendar Quarter 1, 2006	434,000	0	1,508,000

Section 34A.7A(2)(g), Code of Iowa, requires that, notwithstanding Section 8.33, Code of Iowa, moneys in the Wireless E911 Emergency Communications Fund not revert but remain in the Fund and only be used to fund future Phase 2 network and Public Safety Answering Points (PSAPS) improvements, as well as wireless carrier transport costs related to wireless E911 services not otherwise recovered through billings.

***Impact of Reducing Surcharge Amounts***

Currently, the Program is debt free. If the surcharge amount was reduced to \$0.60, the revenue generated would be approximately \$989,000 per month or \$3.0 million per calendar quarter. This is a decrease of \$248,000 compared to the current revenue generated at \$0.65. When compared to the Calendar Quarter 1, 2006 report, the remaining carryforward amount would be approximately \$175,000; however, the General Assembly may wish to consider the following:

- Will administration costs need to be increased in the future? Administration costs for the Fund are presently at \$50,000 per calendar quarter, or \$200,000 per year; however, the allocation has been at this level since the Program was initiated in FY 1999. The E911 Program Manager stated that a future increase to \$62,500 per calendar quarter, or \$250,000 per year will be necessary to maintain current operations.
- Depending on the revenue generated and billings from the wireless service providers, the reimbursement to the providers may be less than \$612,000; however, it cannot be more than 21.0% of the revenue generated based on the formula specified in Section 34A.7A, Code of Iowa. Wireless providers bill the consumer for Phase 2 cost recovery and receive reimbursement from the State for Phase 1 cost recovery. These costs started to decrease over

the last few calendar quarters due to wireless carriers consolidating switches. This cost has averaged \$586,000 over the last seven calendar quarters. Any revenue difference is deposited into the carryforward fund.

- Wire-line transport costs for local carriers are reimbursed for actual expenses incurred by the telephone companies for transporting the wireless E911 call from the selective router to the Public Safety Answering Points (PSAPS). This cost averaged \$271,000 over the last seven calendar quarters.
- Automated Location Information (ALI) costs are reimbursed for actual expenses incurred by companies that provide ALI database services and selective routing of the E911 call. This cost averaged \$1.2 million over the last seven calendar quarters.
- Depending on the revenue generated, the reimbursement to the PSAPS may be less than \$700,000; however, it cannot be more than 24.0% of the revenue generated based on the formula specified in Section 34A.7A, Code of Iowa. This money is provided to the PSAPS to maintain Phase 2 services. Overall, the local PSAPS have seen a decrease in wireline collections due to the public's migration to cell phones rather than land lines in homes. This funding has essentially replaced wireline collections. The amount expended in Calendar Quarter 1, 2006 was \$762,000, which was based on 24.0% of the funds available (\$3.2 million). No calendar quarter comparison is available due to the change in the distribution of funds to a formula after the debt repayment.
- How much carryforward revenue is necessary to provide future upgrades and improvements to Phase 2 and the PSAPS? What type of oversight is needed to ensure expenditures are in line with legislative intent?

## **ALTERNATIVES**

Pursuant to Section 34A.7A(3c), Code of Iowa, the Government Oversight Committee is required to review the priority order of the distribution of funds under Chapter 34A, Code of Iowa, at least every two years. The Government Oversight Committee may choose to pursue one of the following alternatives:

1. Recommend the legislation be referred to a Committee during the 2007 Legislative Session.
2. Explore different scenarios for reducing the surcharge amount, while maintaining Phase 2 capabilities and preventing any future debt from accumulating.
3. Explore different scenarios with the current formula, such as changing the percentages and/or changing the distribution of the revenues, while maintaining Phase 2 capabilities and preventing any future debt from accumulating.
4. Review language to clarify if the calculations for the percentages (21.0% for Wireless Service Providers and 24.0% for PSAPS) are intended to be applied to the total funds received or intended to be applied to the total funds available.
5. Recommend no changes and continue oversight authority and monitoring of the E911 Program.

STAFF CONTACT: Jennifer Acton (Ext. 17846)