

**Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)**

Report to
the Mississippi Legislature



A Review of the Lauderdale County Emergency Communications District's Request for an Increase in Emergency Telephone Service Charges

In 2001, the City of Meridian and Lauderdale County consolidated their emergency dispatching operations into the Lauderdale County Emergency Communications District. The district's staff answers 911 telephone calls from within Lauderdale County and dispatches the appropriate emergency responders.

From FY 2000 through FY 2005, the primary sources of revenue to the district were emergency telephone service charges and payments from the city and county. In early 2006, the governing bodies of the city and county made public their desire to increase the district's emergency telephone service charges to cover all expenses of the district rather than to continue financial support.

Implementing an increase in emergency telephone service charges would require a change in general law. Such change could affect some or all of the state's other eighty-one emergency communications districts, not just that of Lauderdale County. While an increasing gap between the Lauderdale County Emergency Communications District's expenditures and revenues from emergency telephone service charges is projected (ranging from \$346,893 in FY 2006 to \$395,832 in FY 2008), PEER believes that the Legislature should not increase emergency telephone service charges at present based on the district's financial situation. Arguments supporting this conclusion include the following:

- opportunities exist for reducing the district's expenditures;
- local governments are obligated to support public safety functions, including emergency services, financially; and,
- the potential exists for additional revenues through more comprehensive enforcement of emergency telephone service charge collections and amendment of existing laws.

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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September 12, 2006

Honorable Haley Barbour, Governor
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Honorable Billy McCoy, Speaker of the House
Members of the Mississippi State Legislature

On September 12, 2006, the PEER Committee authorized release of the report entitled **A Review of the Lauderdale County Emergency Communications District's Request for an Increase in Emergency Telephone Service Charges.**

A handwritten signature in black ink, appearing to read "R. White".

Senator Richard White, Chair

This report does not recommend increased funding or additional staff.

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A Review of the Lauderdale County Emergency Communications District's Request for an Increase in Emergency Telephone Service Charges

Executive Summary

Background

The purpose of PEER's review was to determine whether the Legislature should increase emergency telephone service charges for the Lauderdale County Emergency Communications District.

Conclusions

While an increasing gap between the Lauderdale County Emergency Communications District's expenditures and revenues from emergency telephone service charges is projected for fiscal years 2006 through 2008, the Legislature should not increase emergency telephone service charges at the present time based on the district's financial situation. Arguments supporting this conclusion include the following:

- **opportunities exist for reducing the district's expenditures;**
- **local governments are obligated to support public safety functions, including emergency services, financially; and,**
- **the potential exists for additional revenues through more comprehensive enforcement of emergency telephone service charge collections and amendment of existing laws.**

The District's Revenue Sources and the Gap Between Emergency Telephone Service Charge Revenues and Expenditures

The primary sources of revenue to the district from FY 2000 through FY 2005 have been emergency telephone service charges and payments from Lauderdale County and the City of Meridian.

In a 2001 Memorandum of Understanding between the district, the City of Meridian, and Lauderdale County, the city and county agreed to provide equal amounts of funding for the district of up to \$225,000 each (\$450,000 combined) per fiscal year.

By the end of Fiscal Year 2005, the district had to turn to the city and county for financial assistance to meet its expenses. The projected gap in emergency telephone service charge revenues and expenditures for the Lauderdale County Emergency Communications District will range from \$346,893 in FY 2006 to \$395,832 in FY 2008.

In early 2006, the governing bodies of the City of Meridian and Lauderdale County made public their desire to increase the district's emergency telephone service charges to cover all expenses of the district rather than to rely on the continued financial support of the local governments as provided for in the Memorandum of Understanding.

Opportunities for Reducing the District's Expenditures

The district operated economically in FY 2000 through FY 2005. The district's expenditures remained fairly steady in those years, increasing by only 8%. Also, the district has made economical choices in the location and furnishing of its office.

While the district has made a conscious effort to operate economically, other opportunities to reduce expenditures may exist. Based on a methodology used by a communications consultant for staffing 911 dispatch operations in Georgia, PEER calculates that the district could eliminate three of its dispatch operator positions, reducing the district's annual expenditures by approximately \$97,000.

The district should also consult with the Mississippi Department of Information Technology Services to determine whether more cost-effective alternatives exist when making upcoming computer and technology-related purchases.

Even if the district reduces its annual expenditures by \$97,000, it will have a projected gap ranging from approximately \$250,000 to approximately \$299,000 annually between revenues from emergency telephone service charges and expenditures for fiscal years 2006 through 2008 based on the current fee structure. For the reasons noted in the following section of this summary, the local governments should continue to honor the

Memorandum of Understanding and should provide revenue of up to \$450,000 annually for the district.

Why Local Governments Should Fund the Projected Gap Between Revenues and Expenditures

PEER believes that local governments should fund the projected gap in revenues from emergency telephone service charges and expenditures of the Lauderdale County Emergency Communications District because:

- Local governments have an obligation to support public safety functions (including emergency services) financially.
- The City of Meridian and Lauderdale County have a legal agreement to support the district financially.
- Local governments' financial participation in the district should increase oversight of the district's expenses.
- The Legislature did not contemplate that emergency telephone service charges would be the sole means of financial support for emergency communications districts.
- The district provides services and use of equipment to the city and county that are not within the scope of 911 operations and therefore should not be funded with emergency telephone service charges.
- Because the emergency telephone service charges are set in general law, they cannot be increased solely for the Lauderdale County Emergency Communications District (i.e., they would be increased statewide, regardless of other districts' financial positions).

Potential for Additional Revenues Through More Comprehensive Enforcement of Emergency Telephone Service Charge Collections and Amendments to State Law

The district could be entitled to receive possible uncollected emergency telephone service charge revenues from the following potential sources:

- unknown service suppliers that may not be remitting emergency telephone service charges;
- service suppliers that could be underpaying; and,

- new modes of telecommunications such as VoIP that are possibly not covered by current laws specifying emergency telephone service charges.

While PEER determined that emergency telephone service charges are probably undercollected, the absence of audited service data makes it impossible to estimate the amount of additional revenue that could be available to the district from this source. However, PEER does not believe that the potential revenues from this source would totally fill the gap discussed previously.

Recommendations

1. To ensure that emergency telephone service charges are being properly collected and remitted, the Legislature should amend MISS. CODE ANN. Section 19-5-313 (1972) to provide the following:
 - for the fiscal year beginning October 1, 2007, and the following fiscal year, each service supplier shall provide each emergency communications district with a sworn copy of an emergency telephone service charge billing history for the district detailing, by month: the number of residential and commercial customers; the amount billed in emergency telephone service charges; any adjustments, amounts uncollectable, and administrative fees; any other items related to the collection and remittance of emergency telephone service charges; and the net total remitted to the district;
 - for the fiscal year beginning October 1, 2009, each service supplier shall provide to each emergency communications district an audit, conducted by an independent certified public accounting firm, of the service supplier's books and records with respect to the collection and remittance of the emergency telephone service charge;
 - for the following fiscal years, each service supplier shall adhere to the following ongoing three-year cycle: sworn reports for two fiscal years followed by an audit report from an independent certified public accounting firm every third year.

The Legislature should also amend this section to provide that counties issue a formal demand, via certified mail, for the statutorily required audits and

authorize a civil fine of \$50,000 against any service supplier that fails to provide a copy of the audit so requested. Further, the amendment should authorize the Attorney General or the district attorney of the county to assist in the collection of such fines.

2. To ensure that emergency telephone service charges are being properly collected and remitted, the Legislature should provide the Commercial Mobile Radio Services (CMRS) Board with a mechanism for funding the audits of service suppliers that are authorized in state law. As recommended in PEER's 2001 review of the CMRS Board, the Legislature should amend MISS. CODE ANN. Section 19-5-333 (1972) to require that the suppliers bear the costs of such audits. The amendment should also give the CMRS Board the discretion to decide whether the audit costs are reimbursable as part of recurring costs under the board's cost recovery mechanism.
3. To assist in assessing and collecting emergency telephone service charges, the Legislature should amend MISS. CODE ANN. Sections 19-5-303 and 19-5-313 (1972) to include broadband communications as a type of communications subject to an emergency telephone service charge levied by the board of supervisors. Also, the Legislature should amend MISS. CODE ANN. Section 19-5-333 (1972) to direct the CMRS Board to impose emergency telephone service charges on customers who pay for commercial mobile radio services prospectively--i.e., prepaid customers.
4. The district should share the purchase and operating costs of its equipment with all entities using the equipment (e.g., tower antennae space, T1 line) based on usage.
5. The City of Meridian and Lauderdale County should continue to provide financial support to the Lauderdale County Emergency Communications District as specified in the Memorandum of Understanding. Also, the Lauderdale County Emergency Communications District Commission should negotiate a Memorandum of Understanding with the Town of Marion to set a fair and reasonable amount to compensate the Lauderdale County Emergency Communications District for emergency services that it renders for the Town of Marion.

For More Information or Clarification, Contact:

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A Review of the Lauderdale County Emergency Communications District's Request for an Increase in Emergency Telephone Service Charges

Introduction

Authority

In response to a legislative inquiry, the PEER Committee reviewed the Lauderdale County Emergency Communications District's request for an increase in emergency telephone service charges. PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972).

Scope and Purpose

The purpose of this review was to determine whether the Legislature should increase emergency telephone service charges for the Lauderdale County Emergency Communications District.

In making this determination, PEER analyzed:

- the district's revenues from all sources and expenditures;
- the size of the projected gap in funding between projected district expenditures and revenues from emergency telephone service charge collections;
- opportunities for reductions in the district's expenditures;
- the obligation of local governments to support public safety functions, including emergency services, financially; and,

- the potential for additional revenues through: (1) more comprehensive enforcement of the collection of emergency telephone service charges authorized in current law; and through (2) proposed amendments to state law that, if adopted, would capture emergency telephone service charges on telecommunications services escaping assessment at present (e.g., prepaid cell phones and Voice over Internet Protocol).

In conducting this review, PEER analyzed actual district revenues and expenditures for fiscal years 2000 through 2005 and projected district revenues and expenditures for fiscal years 2006 through 2008. The district operates on the federal fiscal year--i.e., October 1 through September 30.

Method

In conducting this review, PEER:

- reviewed relevant sections of federal and state laws, Attorney General's opinions regarding emergency communications districts, legal agreements entered into by the Lauderdale County Emergency Communications District, and meeting minutes of the district's governing commission;
- interviewed the director and staff of the Lauderdale County Emergency Communications District, other 911 coordinators in Mississippi and staff of the Tennessee Emergency Communications Board, the Mississippi Public Utilities staff, the Director of the Commercial Radio Services Board, staff of the Mississippi Department of Information Technology, staff of the Federal Communications Commission, and in-state staff of various telecommunications suppliers;
- reviewed the district's financial records; and,
- reviewed the literature on improving the efficiency and effectiveness of emergency (911) call-taking and dispatching operations.

Background

Evolution of the Nation's Emergency Communications System

Because response time is critical in an emergency, there was pressure on the telecommunications industry to reduce the amount of time involved in communicating an emergency to the appropriate responder. In the 1960s, Congress determined that the public should have one uniform nationwide telephone number for reporting emergencies involving fire, police, and/or ambulance services to speed response and dispatch time and the 911 system was launched. A caller dials 911 and an emergency operator answers and either directly contacts the appropriate emergency responder or contacts a secondary Public Safety Answering Point (PSAP) such as a municipal police department, which in turn dispatches the appropriate emergency responder(s). (See definition of a PSAP on page 6.)

Methods of Accessing 911: Wireline, Wireless, and Broadband Communications Technologies

At the time the 911 system began, all telephones were traditional wireline phones—i.e., phones connected physically by wire access or cable. These phone systems convey voice and other information through wired networks, with the information traveling as electrical current over wires or as light pulses along fiber optic cables. Many of the telephones now in use are wireless, or portable telephones without wires, including cellular telephones. Cellular phones are dependent upon a network of radio towers and base stations that send and receive radio signals. In addition, Voice Over Internet Protocol (VoIP) technology, utilizing broadband telephony, is being used to access the telephone networks and 911 bureaus. Both wireless and wireline networks have built-in exchanges that allow users of one system to connect with users of the other.

Basic and Enhanced 911

In a Basic 911 system, the caller dials 911 and the dispatcher receives no information until callers give their identity, the number from which they are calling, and the location where emergency services are needed. The answering dispatcher may be nearby, such as at the local

police or sheriff's office, or hundreds of miles away at an emergency operations facility established to serve a variety of emergency responders, depending on how the call is routed.

In an Enhanced 911 (E911) system, the E911 call-taker receives the callback number, location information, and the appropriate emergency responder for that location through the supporting technology. This enables police, fire departments, and ambulances to find callers who cannot orally provide their precise location.

PSAPs can be in various stages of achieving full E911 compliance for all methods of accessing the system (i.e., wireline, wireless, and VoIP). For example, a PSAP that is only able to identify the caller's phone number is referred to as "Automatic Number Identification (ANI)-only," while a PSAP that can retrieve additional locational information from a database linked to the phone number is referred to as ANI/ALI (ALI stands for "Automatic Location Identification or Information"). ALI may provide information to the dispatcher such as the name, address, nearest cross street, special pre-existing conditions such as hazardous materials, and appropriate emergency responders for that location. With respect to 911 calls originating from cell phones, PSAPs are referred to as Phase I compliant if they have the technology in place to identify the 911 caller's mobile telephone number, as well as the location of the cell tower from which the call originated, and Phase II compliant if they can identify the longitude and latitude of the call.

The Lauderdale County Emergency Communications District, which operates a single PSAP for the county, is ANI/ALI and Phase I compliant but not Phase II compliant. As discussed on page 19, the district plans to purchase the equipment necessary to become Phase II compliant within the next two years.

Federal Support for E911

Wireline Access

In 1967, the Federal Communications Commission (FCC), the federal regulatory agency for cellular suppliers, endorsed the goal of implementing a uniform nationwide emergency telephone system. Wireline telephone access to Basic 911 began in the 1970s when AT&T began developing a 911 pilot program in California.

Wireless Access

The Federal Communications Commission mandated a five-year plan in 1996 aimed at providing wireless telephone users with access to the same Enhanced 911 features furnished to wireline subscribers. The plan called for implementation of wireless E911 in two major phases:

Phase I	By April 1, 1998, the FCC required suppliers to have in place a system to deliver to the PSAP the 911 caller's mobile telephone number, as well as the location of the cell tower from which the call originated.
Phase II	By October 1, 2001, or within six months of a PSAP's request for wireless E911 service, the FCC required carriers to begin delivering to the PSAP not only the number of the wireless telephone making the 911 call, but also the longitude and latitude of the origin of the call.

The FCC requires that a PSAP meet the following conditions before suppliers must deliver E911 services to it:

- request in writing that each wireless supplier implement the E911 service;
- be capable of receiving and using the 911 data; and,
- have in place some method whereby the PSAP could recover some of its costs in upgrading to wireless E911 capacity.

Congress emphasized the importance of developing wireless E911 capability in the U. S. with the passage of the Wireless Communications and Public Safety Act of 1999, which designated 911 as the national emergency telephone number for both wireless and wireline telephone services and encouraged the states to implement E911 service.

VoIP Access

The Federal Communications Commission adopted some rules requiring suppliers of interconnected VoIP services to supply 911 emergency calling capabilities to their customers by November 28, 2005. The FCC and the National Association of Regulatory Utility Commissioners formed the Joint Federal/State VoIP Enhanced 911 Enforcement Task Force to facilitate compliance of the FCC's VoIP 911 rules.

The Roles of Emergency Communications Districts and PSAPs

MISS. CODE ANN. Section 19-5-305 (1972) states that the board of supervisors of each county may create, by order duly adopted and entered on its minutes, an emergency communications district composed of all of the territory within the county. Each emergency communications district created under this authority has a board of commissioners composed of seven members appointed by the county board of supervisors (or the board of supervisors may also serve as the district's board of commissioners). The board of commissioners oversees that county's provision of emergency dispatching services.

Also, some emergency communications districts were created under the authority of local and private legislation passed prior to the enactment of the above-cited CODE section. These districts have boards of commissioners whose number and structure vary from that established in general law. (See pages 7-8 for a description of the structure and membership of the Lauderdale County Emergency Communications District.)

Regarding funding of emergency communications districts, CODE Section 19-5-313 requires wireline service suppliers to collect emergency telephone service charges from subscribers and remit these assessments to the county board of supervisors for use of the emergency communications district to help fund emergency dispatching services. CODE Section 19-5-335 requires wireless service suppliers to collect emergency telephone service charges from subscribers and to remit the revenues to the Commercial Mobile Radio Services (CMRS) fund (after deducting a fee of up to one percent of the gross service charge). The CMRS Board is to distribute seventy percent of these funds to the emergency communications districts on a monthly basis for use in providing wireless E911 service and is to use the remaining thirty percent to pay the board's administrative expenses and actual costs incurred by service suppliers. As discussed on page 29, current law does not specify emergency telephone service charges for broadband technology, including Voice over Internet Protocol.

MISS. CODE ANN. Section 19-5-303 (1972) defines a PSAP as a point of contact between the public and the emergency services, such as a 911 answering point or, in the absence of 911 emergency telephone service, any other point of contact where emergency telephone calls are routinely answered and dispatched or transferred to another agency. The PSAP is the location where personnel and equipment receive emergency calls, collect critical information from the callers (i.e., location of the caller and

nature of the emergency), and dispatch the appropriate emergency responders (e.g., police, emergency medical technicians, firefighters) as quickly as possible.

Prior to 2001, both Lauderdale County and the City of Meridian each operated their own PSAPs, but the two PSAPs co-located in 1998 and officially combined in 2001 under the Lauderdale County Emergency Communications District.

The Lauderdale County Emergency Communications District

Creation and Purpose of the District

On May 16, 1984, the Mississippi Legislature passed S. B. 3025 (Chapter 936, *Local and Private Laws*) authorizing the Lauderdale County Board of Supervisors to establish an emergency telephone system and communications district composed of all of the territory within the county. In authorizing the establishment of this district, the Legislature declared it to be in the public interest to reduce the time required for a citizen to request and receive emergency aid. As stated in the law:

A primary three-digit emergency number through which emergency services can be quickly and efficiently obtained will provide a significant contribution to law enforcement and other public service efforts by simplifying the notification of public service personnel. The simplified means of procuring emergency services will result in the saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of monies.

The District's Commission: Membership and Role

On September 18, 1984, the Lauderdale County Board of Supervisors adopted a resolution creating an emergency telephone system and communications district to be known as the Lauderdale Emergency Communications District (hereinafter referred to as the district) and establishing a fifteen-member governing commission. (See Exhibit 1, page 8, for the membership of the commission.)

The responsibilities of the commission include the hiring of personnel, the purchase of equipment, and the preparation of budgets.

Exhibit 1: Membership of the Lauderdale County Emergency Communications District Commission

- Lauderdale County Civil Defense Director;
- Lauderdale County Sheriff;
- Police Chief of the City of Meridian;
- Police Chief of the Town of Marion;
- Lauderdale County Volunteer Fire Department Coordinator;
- Fire Chief of the City of Meridian;
- Fire Chief of the Town of Marion;
- Director of the Lauderdale County Emergency Medical Services District;
- Director of Homeland Security of Lauderdale County;
- member of the Mississippi Highway Safety Patrol appointed by the officer in charge of the Highway Patrol Office in Meridian;
- member of the Board of Supervisors of Lauderdale County;
- member of the City Council of the City of Meridian; and,
- three citizens appointed one each by the Board of Supervisors of Lauderdale County and the governing authorities of the City of Meridian and the Town of Marion.

SOURCE: Resolution of the Lauderdale County Board of Supervisors, September 18, 1984; House Bill 1688, Regular Session 2006 (Local and Private).

District Organizational Structure

As of July 2006, the district employed twenty-one individuals in the following positions: E911 coordinator, office manager, office assistant, and eighteen dispatchers. Two of the dispatchers serve in the roles of dispatch supervisor and training officer. The E911 Center operates twenty-four hours, seven days a week, with four dispatchers assigned to each eight-hour shift.

Consolidation of the Lauderdale County Emergency Communications District and the City of Meridian E911 Dispatch Center

On April 1, 2001, the City of Meridian and Lauderdale County consolidated their emergency 911 dispatching operations. The consolidation of the emergency 911 dispatching operation brought eight dispatchers from Lauderdale County and ten dispatchers from the City of Meridian under the employment of the Lauderdale County Emergency Communications District.

Conclusions

While an increasing gap between the Lauderdale County Emergency Communications District's expenditures and revenues from emergency telephone service charges is projected for fiscal years 2006 through 2008, the Legislature should not increase emergency telephone service charges at the present time based on the district's financial situation. Arguments supporting this conclusion include the following:

- opportunities exist for reducing the district's expenditures;
- local governments are obligated to support public safety functions, including emergency services, financially; and,
- the potential exists for additional revenues through more comprehensive enforcement of emergency telephone service charge collections and amendment of existing laws.

The District's Revenue Sources and the Gap Between Emergency Telephone Service Charge Revenues and Expenditures

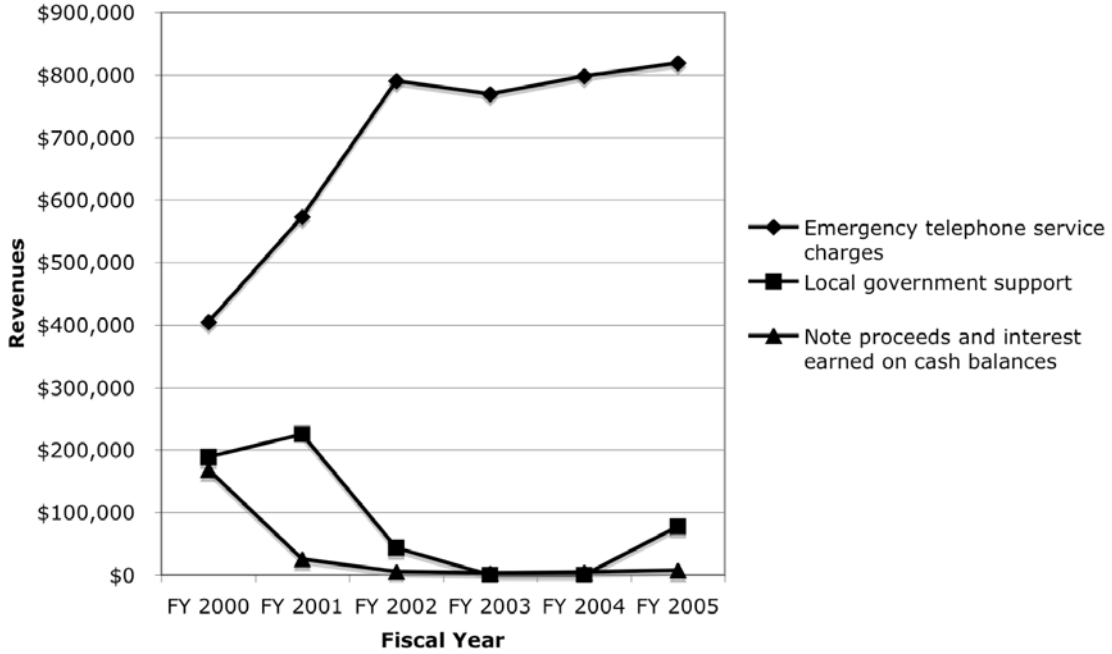
The following sections include a discussion of the funding gap between the district's emergency telephone service charge revenues and expenditures, which led to local governing authorities' request for an increase in emergency telephone service charges, as well as a discussion of each of the arguments supporting PEER's conclusion that the Legislature should not increase the emergency telephone service charges at the present time based on the district's financial situation.

The District's Revenue Sources

The primary sources of revenue to the district from FY 2000 through FY 2005 were emergency telephone service charges and payments from Lauderdale County and the City of Meridian.

As shown in Exhibit 2 on page 11, the primary sources of revenue to the district during the period of FY 2000 through FY 2005 were emergency telephone service charges and payments from local governments (i.e., Lauderdale County and the City of Meridian). Historically, other sources of revenue have included note proceeds and interest earned on cash balances. A discussion of each of the district's major revenue sources follows.

Exhibit 2: Lauderdale County Emergency Communications District Revenue for Fiscal Years 2000 through 2005, by Source



SOURCE: Lauderdale County Emergency Communications District monthly receipts and expense reports.

Emergency Telephone Service Charges

The Lauderdale County Emergency Communications District received \$4,154,908 in revenues from emergency telephone service charges from FY 2000 to FY 2005.

The law establishing the Lauderdale County Emergency Communications District also set emergency telephone service charges as one revenue source for the district’s operations based on charges to local wireline phone users.

The local and private law establishing the district (Chapter 936, *Local and Private Laws of 1984*) authorized the Lauderdale County Board of Supervisors to levy an emergency telephone service charge on wireline phones in an amount up to five percent of the tariff rate (i.e., the rate approved for such service by the Public Service Commission and/or the Federal Communications Commission). Lauderdale County voters approved a charge of two percent of the tariff rate effective February 1, 1985.

In 1993, the Legislature established uniform statewide limits on emergency telephone service charges for wireline phones, superseding the fee-setting provisions of the local and private law relating to the Lauderdale County Emergency Communications District.

In 1987 the Legislature enacted Chapter 310, *Laws of 1987*, a general law authorizing and empowering emergency communications districts throughout the state of Mississippi. MISS. CODE ANN. Section 19-5-305 (1972) authorized the board of supervisors of each county to create an emergency communications district comprised of all of the territory within the county. In 1993, the Legislature amended MISS. CODE ANN. Section 19-5-313 (1972) establishing uniform statewide limits on emergency telephone service charges for wireline phones, superseding the fee-setting provisions of the above-mentioned local and private law relating to the Lauderdale County Emergency Communications District. This amendment authorized county boards of supervisors to levy an emergency telephone service charge of up to one dollar per month per phone line to residential customers and two dollars per month per phone line for commercial customers.

In 1998, the Legislature created the Commercial Mobile Radio Services (CMRS) Board to implement an enhanced 911 system for wireless phone users. MISS. CODE ANN. Section 19-5-333 (1972) requires the board to collect a one-dollar per month per connection emergency telephone service charge for wireless customers whose place of primary use is within Mississippi. The law requires the wireless service supplier to collect the charges and to remit the revenues to the CMRS fund (after deducting a fee of up to one percent of the gross service charge). The CMRS Board is to distribute seventy percent of these funds to the emergency communications districts for use in providing wireless E911 service, including capital improvements and operations, and is to distribute the funds on a monthly basis, based on the number of connections in the district. The board is to use the remaining thirty percent of the monies to pay the board's administrative expenses and actual costs incurred by service suppliers.

The Lauderdale County Emergency Communications District received \$4,154,908 in revenues from emergency telephone service charges from FY 2000 to FY 2005. The 2002 spike in emergency telephone service charges shown in Exhibit 2 was primarily due to a rate increase that went into effect on February 1, 2001. On that date, the Lauderdale County Board of Supervisors increased its wireline service charges from \$.50 to \$1.00 on residential lines and from \$.90 to \$2.00 on commercial lines, the maximum allowable under law.

Local Government Support

From FY 2000 through FY 2005, the City of Meridian and Lauderdale County provided the district with \$535,903 in revenues.

State law allows the district to receive revenues from sources other than emergency telephone service charges.

In addition to emergency telephone service charges collected and distributed by the means noted above, MISS. CODE ANN. 19-5-313 (6) (1972) allows the district to receive revenues from other sources to provide funding for the district:

In order to provide additional funding for the district, the board of commissioners may receive federal, state, county or municipal funds, as well as funds from private sources, and may expend such funds for the purposes of Section 19-5-301 et seq.

From the district's inception through September 30, 2001, the City of Meridian and Lauderdale County paid 100% of the salaries of emergency dispatch operators, either through direct payment of operators' salaries or through reimbursement of the salaries to the district. In FY 2001, the city and county reimbursed the district for \$269,020 in dispatch operator salaries. For the period of FY 2000 through FY 2005, the city and county provided the district with a total of \$535,903.

Buildup of Cash Balance in Prior Years

In the past, the district was able to build up a cash balance because it did not have to bear the cost of dispatch operator salaries until October 2001.

Because the district did not have to bear the cost of dispatch operator salaries (the district's largest expenditure item; see discussion on page 17) from inception in 1984 through September 2001, the district was able to build a cash balance. During the period of PEER's review, the district's cash balance was at its highest level--\$448,531--on October 31, 1999.

Memorandum of Understanding Between the District and Local Governments for Provision of Revenue

In a 2001 Memorandum of Understanding between the district, the City of Meridian, and Lauderdale County, the city and county agreed to provide equal amounts of funding for the district of up to \$225,000 each (\$450,000 combined) per fiscal year.

At the same time that the district was carrying this cash balance, as noted in the previous section, on February 1, 2001, the Lauderdale County Board of Supervisors doubled the emergency telephone service charges on residential wirelines and more than doubled the emergency telephone service charges on commercial wirelines.

The combination of an increase in emergency telephone service charges and a cash balance allowed the city and county to make no financial contributions to the district from October 1, 2001, through September 30, 2004.

Just prior to the effective date of the emergency telephone service charge increase, the City of Meridian and Lauderdale County entered into a Memorandum of Understanding (MOU) enacted on January 16, 2001, stating that if emergency telephone service charges are not sufficient to fund completely the district's E911 operating budget, the city and county would provide funds to help with the deficit in the operating budget. The parties agreed that they would provide equal amounts of additional funding for the district up to \$225,000 (\$450,000 combined) per fiscal year. As shown in Exhibit 2 on page 11, the combination of the increased emergency telephone service charges and the cash balance allowed the city and county to make no financial contributions to the district for approximately three years (from October 1, 2001, through September 30, 2004.)

The Gap Between the District's Emergency Telephone Service Charge Revenues and Expenditures

By the end of Fiscal Year 2005, the district had to turn to the city and county for financial assistance to meet its expenses. The projected gap in emergency telephone service charge revenues and expenditures for the Lauderdale County Emergency Communications District will range from \$346,893 in FY 2006 to \$395,832 in FY 2008.

In no year of PEER's review were the district's revenues from emergency telephone service charges sufficient to cover district expenditures.

Exhibit 3 on page 15 shows the historical and projected gap between revenues from emergency telephone service charges and expenditures for the Lauderdale County Emergency Communications District. As the exhibit shows, despite the significant increase in emergency telephone service charges in February 2001, in no year of PEER's review were the district's revenues from emergency telephone service charges sufficient to cover district expenditures. As a result, during the three years that the local governments were making no financial contributions to the district, the district used its cash balance to make up the revenue gap.

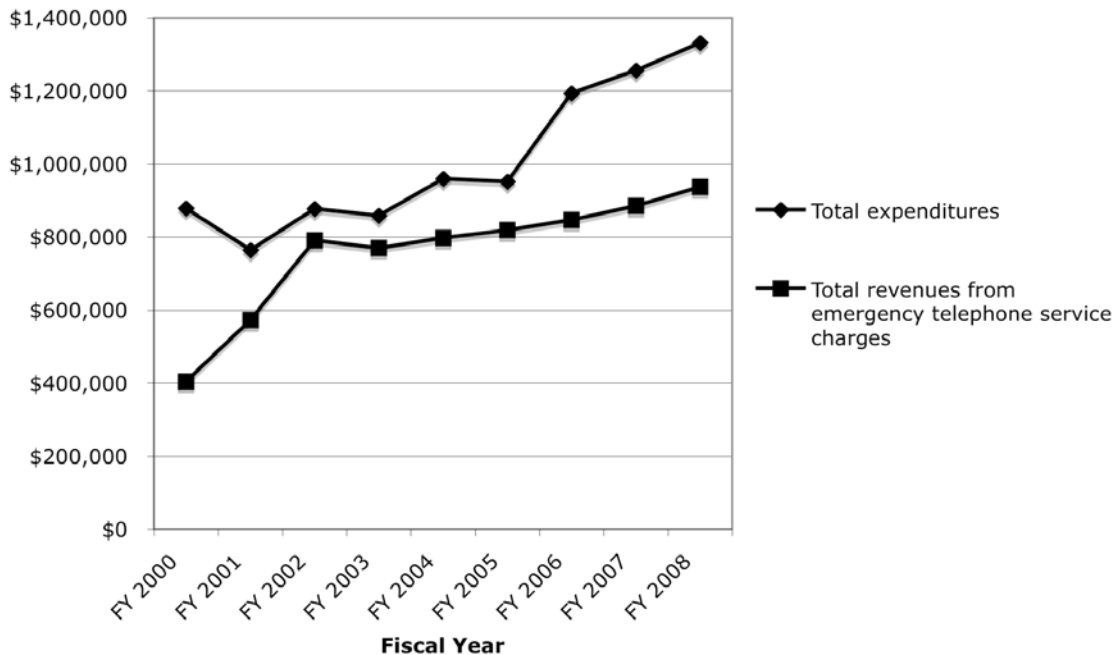
With its cash balance significantly depleted by the end of Fiscal Year 2005, the district had to turn to the city and county for financial assistance to meet its expenses. Under the terms of the memorandum of understanding, each contributed \$38,915 in FY 2005. Shortly thereafter, the governing bodies of the City of Meridian and

Lauderdale County made public their desire to increase the district's emergency telephone service charges to cover all expenses of the district rather than to rely on the continued financial support of the local governments as provided for in the Memorandum of Understanding, as described in the following section.

The district's expenditures will probably grow more rapidly (in response to the district's need to replace outdated computer equipment and to purchase new equipment needed to become Phase II compliant) than the projected growth in district revenues from emergency telephone service charges.

As Exhibit 3 further shows, the district's revenue gap is projected to widen. Expenditures will probably grow more rapidly in response to the district's need to replace outdated computer equipment and to purchase the new equipment needed to become Phase II compliant (see discussion on page 19) than the projected growth in district revenues from emergency telephone service charges. The actual projected dollar gap will range from \$346,893 in FY 2006 to \$395,832 in FY 2008, less than the \$450,000 maximum specified in the memorandum of agreement with the City of Meridian and Lauderdale County.

Exhibit 3: Historical (FY 2000-2005) and Projected (FY 2006-2008) Gap Between District Revenues from Emergency Telephone Service Charges and Expenditures



SOURCE: Lauderdale County Emergency Communications District monthly receipts and expense reports and trend analysis.

The District's Request for an Increase in Emergency Telephone Service Charges

In early 2006, the governing bodies of the City of Meridian and Lauderdale County made public their desire to increase the district's emergency telephone service charges to cover all expenses of the district rather than to rely on the continued financial support of the local governments as provided for in the Memorandum of Understanding.

In March 2006, the Lauderdale County Emergency Communications District, along with the City of Meridian and Lauderdale County Board of Supervisors, requested support from members of the Legislature for a proposed bill to be introduced during the 2007 session to increase the district's emergency telephone service charges. The proposed increase is from \$1.00 to up to \$2.00 per residential wireline, from \$2.00 to up to \$3.00 per commercial wireline, and from \$1.00 to up to \$2.00 per cell phone. Presumably this request for an increase was prompted by the circumstances described previously in this report.

Implementing the requested increase in the district's emergency telephone service charges would require a change in general law and could affect the state's other emergency communications districts.

Implementing this increase would require a change in general law. Such change could result in increases or modifications in the rate structures of some or all of the state's other emergency communications districts, not just that of Lauderdale County (see discussion on page 24).

As previously noted, the following sections discuss approaches to closing the gap between the district's emergency telephone service charge revenues and expenditures, including opportunities for reducing the district's expenditures; the obligation of local governments to support public safety functions, including emergency services, financially; and, the potential for additional district revenues through more comprehensive enforcement of emergency telephone service charges authorized in current law and through proposed amendments to state law that, if adopted, would capture service charges on telecommunications services escaping assessment at present (e.g., prepaid cell phones and Voice over Internet Protocol).

Opportunities for Reducing the District's Expenditures

While the district has made a conscious effort to operate economically, it could reduce its annual expenditures by approximately \$97,000 by reducing the number of dispatchers. The district should also consult with the Mississippi Department of Information Technology Services to determine whether more cost-effective alternatives exist when making upcoming computer- and technology-related purchases.

The District Operated Economically in FY 2000-FY 2005

The district's expenditures remained fairly steady from FY 2000 through FY 2005, increasing by only 8% in those six years. Also, the district has made economical choices in the location and furnishing of its office.

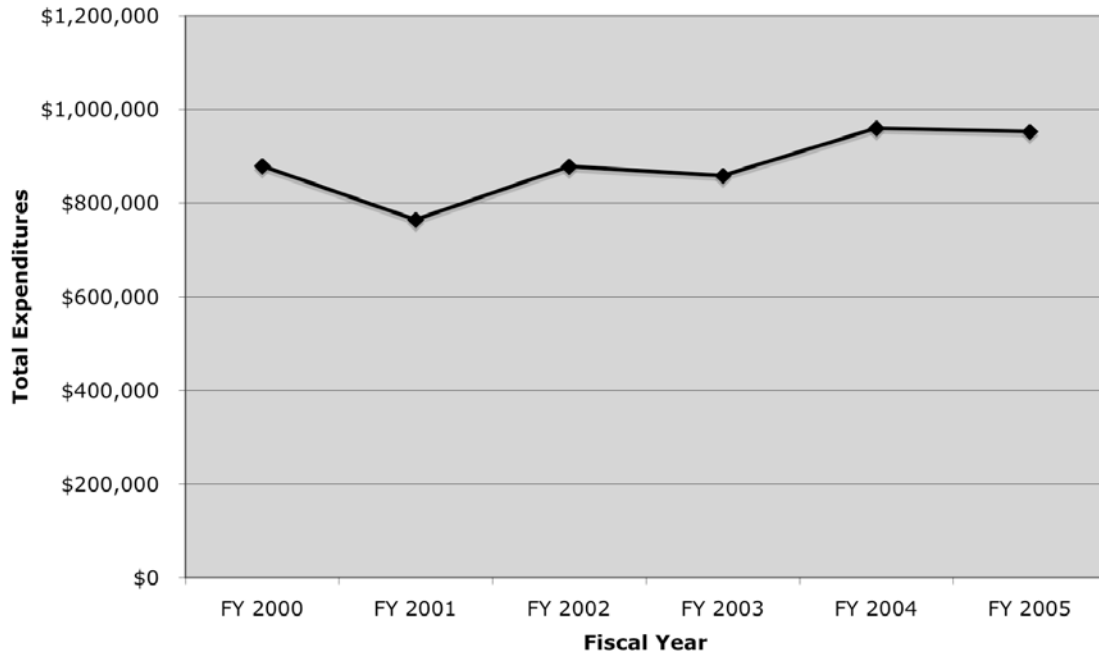
As shown in Exhibit 4 on page 18, the district's expenditures remained fairly steady over the period of fiscal years 2000 through 2005, increasing by only 8% in six years.

During the on-site inspection, PEER staff observed that the district operates in an old telephone company switching station using primarily used furniture either left in the building when it was vacated by the previous tenant or donated by other governmental entities. Some, but not all, of the district's equipment was acquired in the same manner. Thus the district has made economical choices in the location and furnishing of its office.

The district inherited the current number of dispatch operators through the merger of the emergency dispatch operations of the City of Meridian and Lauderdale County.

PEER's detailed expenditure review showed that most of the district's expenditures for the six-year period were for salaries (69% of total district expenditures in FY 2005) and telephone services. The district inherited the current number of dispatch operators through the merger of the emergency dispatch operations of the City of Meridian and Lauderdale County and the district operators' salaries are set according to the pay scale of Lauderdale County. (See section on page 19 for a discussion of how the district could reduce its expenditures by reducing the number of dispatch operators.) As an example of the district's economical operations, for the six-year period of PEER's expenditure review, the district spent less than \$850 on travel and \$708 on meals and lodging.

Exhibit 4: Lauderdale County Emergency Communications District's Expenditures for Fiscal Years 2000 through 2005



SOURCE: Lauderdale County Emergency Communications District's financial records.

Exhibit 5: Lauderdale County Emergency Communications District's Expenditures for Fiscal Years 2000 through 2005, by Category

Expenditures	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Salaries and Benefits	\$257,461	\$402,540	\$574,125	\$585,444	\$598,878	\$654,640
Operating Expenses	*\$528,761	\$283,004	\$246,400	\$254,929	\$349,366	\$281,799
Lease Purchase						
Principal and Interest	\$36,719	\$55,078	\$55,078	\$18,359	\$3,941	\$7,882
Vehicle and Equipment Expenses	\$56,218	\$23,423	\$2,537	\$0	\$7,395	\$8,025
TOTAL	\$879,160	\$764,046	\$878,140	\$858,733	\$959,580	\$952,346

*In FY 2000, the Lauderdale County Emergency Communications District purchased a Computer-Aided Dispatch system for \$266,499.48.

SOURCE: Lauderdale County Emergency Communications District's financial records.

Other Opportunities to Reduce Expenditures May Exist

Based on a methodology used by a communications consultant for staffing 911 dispatch operations in Georgia, PEER calculates that the district could eliminate three of its dispatch operator positions, reducing the district's annual expenditures by approximately \$97,000.

Using the methodology included in a feasibility study by GeoComm Corporation of merging city and county 911 dispatch operations in Georgia, PEER concluded that the Lauderdale County Emergency Communications District could reduce the number of operators dispatching emergency calls by one operator per shift--i.e., by a total of three. The GeoComm study calculated the number of dispatchers needed based upon the number of emergency calls taken, duration of the emergency calls, and the number of workable hours per full-time employee (after subtracting vacation time, sick leave, training, and shift breaks).

PEER determined that the district should be able to handle its emergency call volume with three dispatch operators per shift, rather than the four per shift currently used.

By dividing the number of hours per year of working time for a full-time Lauderdale County dispatch operator by the hours of emergency call duration for the call volume specified, PEER determined that the district would need two dispatch operators per eight-hour shift. (The district currently employs four dispatch operators per shift.) However, PEER notes that the City of Meridian has notified the District E911 Coordinator that the city wants two dispatch operators working its dispatch consoles at all times. PEER also notes that by only having two dispatch operators per shift, the district could have insufficient call coverage when a dispatch operator is out of the center or on break. Thus PEER has determined that the district should be able to handle its emergency call volume with three dispatch operators per shift, thereby reducing annual salary expenditures by approximately \$97,000 in FY 2006.

The district should consult with the Mississippi Department of Information Technology Services to determine whether more cost-effective alternatives exist when making upcoming computer and technology-related purchases.

The Lauderdale County Emergency Communications District Coordinator has estimated that the district will need to spend approximately \$530,000 to purchase new computer and technology-related equipment necessary to become Phase II compliant and to replace equipment that has served its useful life. Although PEER did not analyze the district's information technology needs, the possibility exists that the Mississippi Department of Information Technology Services might be able to recommend more cost-effective alternatives to the district to meet its needs.

Revised Projected District Revenue Gap for Fiscal Years 2006 through 2008, Taking into Consideration Proposed Reductions in District Expenditures

Even if the district reduces its annual expenditures by approximately \$97,000, it will have a projected gap ranging from approximately \$250,000 to approximately \$299,000 annually between revenues from emergency telephone service charges and expenditures for fiscal years 2006 through 2008 based on the current fee structure. For the reasons described later in this report, the local governments should continue to honor the Memorandum of Understanding and should provide revenue of up to \$450,000 annually for the district.

As noted above, if the Lauderdale County Emergency Communications District chooses to base its staffing on the GeoComm model for Georgia's 911 dispatching operations and reduces the number of dispatch operators by one per shift (i.e., three fewer operators in total), it could avoid annual costs of approximately \$97,000. This would still leave a projected gap ranging from approximately \$250,000 to approximately \$299,000 annually between revenues from emergency telephone service charges and expenditures for fiscal years 2006 through 2008. Hopefully this gap could be reduced even more if the district is able to find more cost-effective alternatives for its upcoming replacement purchases of computer equipment.

As discussed in the following section, PEER believes that the local governments in the Lauderdale County area should fund this gap between revenues from emergency telephone service charges and expenditures, thus honoring the agreement in the 2001 Memorandum of Understanding with the district. The agreement already provides for annual revenues of up to \$450,000.

Why Local Governments Should Fund the Projected Gap Between Revenues and Expenditures

PEER believes that local governments should fund the projected gap in revenues from emergency telephone service charges and expenditures of the Lauderdale County Emergency Communications District because:

- *Local governments have an obligation to support public safety functions (including emergency services) financially.*

- *The City of Meridian and Lauderdale County have a legal agreement to support the district financially.*
- *Local governments' financial participation in the district should increase oversight of the district's expenses.*
- *The Legislature did not contemplate that emergency telephone service charges would be the sole means of financial support for emergency communications districts.*
- *The district provides services and use of equipment to the city and county that are not within the scope of 911 operations and therefore should not be funded with emergency telephone service charges.*
- *Because the emergency telephone service charges are set in general law, they cannot be increased solely for the Lauderdale County Emergency Communications District (i.e., they would be increased statewide, regardless of other districts' financial positions).*

The following sections discuss these arguments as to why the local governments should fund the projected revenue gap rather than trying to make the district self-sufficient through increasing emergency telephone service charges.

Local governments have an obligation to support public safety functions, including emergency services, financially.

Historically, local governments have been responsible for providing basic public safety functions such as fire and police protection and funding such services through local ad valorem taxes. This has historically included the funding of salaries for those persons responsible for receiving emergency calls and dispatching appropriate emergency responders (i.e., fire, police, ambulance services).

The City of Meridian and Lauderdale County have a legal agreement to support the district financially.

The agreed-to funding level in the Memorandum of Understanding exceeds the district's projected revenue gap at least through FY 2008.

As discussed on pages 13-14, the City of Meridian and Lauderdale County entered into a Memorandum of Understanding (MOU) enacted on January 16, 2001, stating that if emergency telephone service charges are not sufficient to fund the district's E911 operating budget completely, the city and county would provide funds to fund the deficit in the operating budget. The parties agreed that they would provide equal amounts of additional funding for the district up to \$225,000 (\$450,000 combined) per fiscal year. This agreed-to funding level exceeds the district's projected revenue gap at least through FY 2008.

Although not a party to the agreement, the Town of Marion should also be contributing financially to the district's operation, as it is the only other incorporated municipality within the district.

Local governments' financial participation in the district should increase oversight of the district's expenses.

When commissioners represent entities that contribute financially to the district, there is added incentive to scrutinize expenses and identify ways to promote efficiency.

As noted in Exhibit 1, page 8, the City of Meridian and Lauderdale County are represented on the district's governing commission. These commissioners help to develop and must approve the district's annual budget. When the commissioners represent entities that are financially contributing to the district, there is an added incentive to scrutinize the district's expenses and identify ways to promote maximum efficiency.

The Legislature did not contemplate that emergency telephone service charges would be the sole means of financial support for emergency communications districts.

In the 1980s and 1990s, the Legislature passed local and private and general laws authorizing the imposition of emergency telephone service charges (refer to discussion on pages 11-12) to help pay for the costs of providing emergency telephone service.

In particular, these emergency telephone service charges were intended to help pay for the increased costs of buying expensive equipment needed to provide E911 service. This is evident in the language of MISS. CODE ANN. Section 19-5-303 (1972), which sets forth the definitions of "E911 service" as follows:

E911 Service includes lines and equipment necessary for the answering, transferring and dispatching of public emergency telephone calls originated by persons within the serving area who dial 911. Enhanced 911 Service includes the displaying of the name, address and other pertinent caller information as may be supplied by the service supplier.

That these emergency telephone service charges were not intended to provide the sole means of support for emergency communications districts is evident in the following language contained in MISS. CODE ANN. Section 19-5-313 (6) (1972):

In order to provide additional funding for the district, the board of commissioners may receive federal, state, county or municipal funds, as well as funds from private sources, and may expend such funds for the purposes of Section 19-5-301 et seq.

The district provides services and use of equipment to the city and county that are not within the scope of 911 operations and therefore should not be funded with emergency telephone service charges.

In terms of services, the district's dispatch operators perform services for city and county governments that are not within the scope of 911 services and therefore should not be funded with emergency telephone service charges. Operators routinely perform the following services that are not within the scope of 911 services:

- answering administrative lines, transfer of calls, alpha-paging of persons;
- answering requests for telephone numbers and information from the computer directory;
- handling wrecker calls;
- providing general information to agencies and the public;
- handling calls for city public works and county work crews;
- handling juvenile center requests;
- handling Criminal Investigation Division requests;
- handling Mississippi Department of Transportation requests;
- handling requests for tapes, printouts, Computer-Aided Dispatch times, and case numbers for investigations or for presentation in court;
- running criminal histories;
- running National Crime Information Center wanted checks;
- running names, tags, and vehicle identification numbers through National Crime Information Center; and,

- activating weather sirens and sending weather pages.

In terms of equipment, the district pays 100% of the cost of using the following equipment, which is also being used by the city and county for purposes unrelated to 911 services:

- *T1 lines (\$7,882)*--high-speed data lines that travel between the district, city fire and police departments, the sheriff's office, and the ambulance service; and,
- *antennae space on the tower (\$19,200)*--allows the dispatchers to communicate with other entities and allows the local entities to communicate directly with each other.

The district does not have a written agreement with local entities regarding the sharing of equipment.

The district does not have a written agreement with any of these local entities regarding the sharing of equipment. If the district were to charge these entities for use of this equipment, it could increase its revenues by some portion of the \$27,082 that it currently pays annually for use of this equipment.

Because emergency telephone service charges are set in general law, the limits cannot be increased solely for the Lauderdale County Emergency Communications District.

As discussed on page 12, when the Legislature amended MISS. CODE ANN. Section 19-5-313 (1972) in 1993, this amendment to general laws superseded the fee assessment authority conferred in the 1984 local and private laws. This CODE section now controls the rates assessed by all emergency communications districts in the state.

The Legislature should not consider changing the statewide emergency telephone service charge limits without conducting a statewide study of the funding needs of all emergency communications districts, including a study of how the state can achieve Phase II compliance in the most cost-effective manner possible. As of August 2006, only twenty-two of the state's eighty-two emergency communications districts were Phase II compliant.

Potential for Additional Revenues Through More Comprehensive Enforcement of Service Charge Collections and Amendments to State Law

While PEER determined that emergency telephone service charges are probably undercollected, the absence of audited service data makes it impossible to estimate the amount of additional revenue that could be available to the district from this source. However, PEER does not believe that the potential revenues from this source would totally fill the gap discussed previously.

The district could be entitled to receive possible uncollected emergency telephone service charge revenues from the following potential sources:

- unknown service suppliers that may not be remitting service charges;
- service suppliers that could be underpaying; and,
- new modes of telecommunications such as VoIP that are possibly not covered by current laws specifying emergency telephone service charges.

Unknown Service Suppliers May Not Be Remitting Emergency Telephone Service Charges

The Public Service Commission cannot provide the district with a database of all wireline service suppliers operating in Lauderdale County, by effective dates of service. Therefore, the district cannot be sure that it is receiving emergency telephone service charges from all wireline companies that should be remitting these charges to it.

Because no central body established in state law oversees collection of emergency telephone service charges levied on wirelines, it is up to the service suppliers to collect and remit emergency telephone service charges in accordance with state law.

In establishing the maximum emergency telephone service charges on residential and commercial telephone lines, MISS. CODE ANN. Section 19-5-313 (1972) directs the service suppliers to collect the authorized charges as part of their regular billings and remit them monthly to the county treasuries where such emergency telephone service charges are in effect.

Because there is no central body established in state law to oversee the collection of emergency telephone service charges levied on wirelines (refer to page 12 for a discussion of the CMRS Board, whose responsibility is to oversee emergency telephone service charge collections on wireless connections), it is up to the service suppliers to collect and remit emergency telephone service charges in accordance with state law.

From an oversight standpoint, it is a potential problem that the counties do not have a comprehensive listing of all service suppliers operating in their county from whom they should be receiving emergency telephone service charge revenues. Because wireline service suppliers are subject to state regulation, PEER contacted the Public Utilities Staff to determine the number of wireline service suppliers operating in Lauderdale County. According to the Public Utilities Staff, wireline service suppliers consist of Incumbent Local Exchange Companies (ILECs) and Competitive Local Exchange Companies (CLECs). ILECs are those telephone companies that received a Certificate of Public Convenience and Necessity from the Public Service Commission to provide telephone service to a designated geographic area in Mississippi. CLECs are telephone companies that receive a Certificate of Public Convenience and Necessity from the Public Service Commission and are allowed to compete with the incumbent phone company. A certificated CLEC is allowed to pick and choose the scope of its operating territory that is coincident with all areas of Mississippi included within BellSouth's designated territory. This area includes all or part of every Mississippi county, with the exception of Calhoun County. While the Public Utilities Staff knows where the ILECs are providing service, it does not know in which specific counties the CLECs are operating.

The Public Utilities Staff explains to wireline suppliers that they are responsible for collecting and remitting emergency telephone service charges. Also, suppliers are referred to the Public Service Commission's website for E911 coordinator contact information for questions regarding the collection and remittance of emergency telephone service charges.

The Public Utilities Staff explains to the wireline suppliers that they are responsible for collecting and remitting emergency service charges. Also, the suppliers are referred to the Public Service Commission's website for E911 coordinator contact information for questions regarding the collection and remittance of emergency telephone service charges.

According to the staff, over one hundred competitive local exchange companies are certificated to operate in the state. Some of the smaller companies go in and out of business in a county in a very short time span. In these cases, the county might only become aware of a smaller supplier's existence if it remitted the emergency telephone service charges to the county. Also, the companies that resell BellSouth services remit their emergency telephone service charge collections to BellSouth, which in turn remits the collections to the appropriate counties with its own monthly remittances.

*Following a recommendation in PEER's 2001 report **A Review of the Commercial Mobile Radio Services Board**, the Legislature amended state law in 2003 to require CMRS suppliers to register with the board, thereby making it more difficult for a wireless service supplier to operate in the state without remitting emergency telephone service charge collections to the board.*

In its 2001 report **A Review of the Commercial Mobile Radio Services Board**, PEER recommended that to ensure the accurate and timely collection of emergency telephone service charges, the Legislature should amend state law to require all suppliers supplying wireless telephone service in Mississippi to register annually and upon termination of services with the CMRS Board.

During its 2002 Regular Session, the Legislature amended the law [Subsection (4) of MISS. CODE ANN. § 19-5-335 (1972)] to require all CMRS suppliers to register with the board (including the company, marketing and publicly traded names of the supplier, the physical address of the company headquarters and the main office in Mississippi and the names and directors of the supplier's board of directors/owners) and to authorize the board to levy an administrative fine of up to \$10,000 for a supplier's failure to register. This allows the CMRS Board to know which wireless suppliers are operating in the state of Mississippi.

Known Service Suppliers Could Be Underpaying Emergency Telephone Service Charges

State law requires the auditing of wireline service supplier records and authorizes the auditing of wireless service supplier records for the purpose of assuring that emergency telephone service charges are being properly collected and remitted. However, records of wireline suppliers are not audited by an independent certified public accounting firm specifically for emergency telephone service charge collections and remittances and the CMRS Board has not conducted audits of wireless service suppliers.

Because the amounts remitted by service suppliers to the county are not audited by an independent certified public accounting firm specifically for emergency telephone service charge collections and remittances, the district cannot be sure that it is receiving all emergency telephone service charges due from known wireline service suppliers.

Subsection (5) of MISS. CODE ANN. Section 19-5-313 (1972) requires service suppliers to maintain records of the amount of emergency telephone service charges collected for a period of at least two years from the date of collection and requires that the board of supervisors and board of commissioners receive an annual audit of the

service supplier's books and records with respect to collection and remittance of emergency telephone service charges (as well as the amounts collected/not collected and administrative fees). However, this information is self-reported and is not audited by an independent certified public accounting firm specifically for emergency telephone service charge collections and remittances.

BellSouth, the primary wireline service supplier in Lauderdale County, includes the number of residential and commercial customers in Lauderdale County with its monthly emergency telephone service charge remittance, but these numbers are self-reported.

The CMRS Board cannot be sure that it is collecting all wireless emergency telephone service charges due to it because it has not conducted any audits of wireless service suppliers as authorized by state law.

MISS. CODE ANN. § 19-5-333 (1972) requires that the amount of CMRS funds remitted monthly to each emergency communications district be based on the number of CMRS connections in each emergency communications district. By law, each supplier must identify to the board the amount of funds that should be paid to each emergency communications district.

To assure that each CMRS service supplier is remitting the authorized emergency telephone service charge on each of its connections every month, in its 2001 report entitled *A Review of the Commercial Mobile Radio Services Board*, PEER recommended that the Legislature amend the law to authorize the annual audit of each CMRS service supplier, with the cost to be borne by the supplier.

Because of its concern over paying for such audits, the CMRS Board has not conducted any audits of suppliers since being granted the legal authority to do so.

During its 2002 Regular Session, the Legislature amended MISS. CODE ANN. § 19-5-333 (1972) to authorize the CMRS Board to retain an independent third-party accountant to audit CMRS suppliers at the board's discretion. The law also states that the results of any such audit may be used for any legal action initiated by the board against CMRS suppliers. However the amendment did not include the PEER-recommended language that the cost of the audit be borne by the supplier.

Because of its concern over paying for such audits, the CMRS Board has not conducted any audits of CMRS suppliers since being granted the legal authority to do so. While the board would like initially to audit those CMRS suppliers that did not voluntarily provide the board with requested information on the number of customers, the board is concerned that it does not have sufficient revenues to pay for these audits.

New Modes of Telecommunications are Possibly Not Covered by Laws Specifying Emergency Telephone Service Charges

Due to rapidly changing telecommunications technology and marketing, there is confusion among suppliers of some of the newer telecommunications services (e.g., prepaid cell phones, Voice over Internet Protocol), the emergency communications districts, and the CMRS Board as to whether emergency telephone service charges must be collected and, if so, to whom the charges should be paid.

Prepaid Wireless Phones

It is possible that there are customers in the district using prepaid wireless phones on which no emergency telephone service charges have been paid. PEER contacted three wireless suppliers registered with the Mississippi CMRS Board to determine whether they are collecting emergency telephone service charges on their prepaid wireless phones.

Of the three suppliers PEER contacted, only one said that it was collecting emergency telephone service charges on prepaid wireless phones and remitting these funds to the CMRS Board.

Of the three suppliers contacted, only one said that it was collecting the \$1 emergency telephone service charge on prepaid wireless phones and remitting these funds to the CMRS Board along with its other wireless payments. The other two service suppliers contacted by PEER stated that while a customer can access E911 services through a prepaid cell phone, the company is not collecting the emergency telephone service charges on these phones.

Voice over Internet Protocol (VoIP)

The CMRS Board does not believe that the increasingly popular Voice over Internet Protocol (VoIP) falls within its purview because it does not fall within the definition provided for in MISS. CODE ANN. Section 19-5-331 (1972) for commercial mobile radio service. Also, because the CODE section imposing emergency telephone service charges (Section 19-5-313) on residential wirelines was enacted in 1987, it could be argued that the Legislature never contemplated including broadband technology in the term "telephone subscriber line," since broadband technology was not available to the consuming public at that time.

The CMRS Board does not believe that VoIP falls within its purview because it does not fall within the definition provided for in state law for commercial mobile radio service.

The Voice over Internet Protocol (VoIP) telecommunications product is an interconnect service that allows a consumer to make and receive calls to and from traditional phone numbers using a high-speed internet connection such as cable modem. An interconnected service is technology that works by either placing an adapter between a traditional phone and

broadband connection, or by using a special VoIP phone that connects directly to the customer's computer or internet connection. Many customers are using this service to replace the traditional wireline phone.

As noted previously, the Federal Communications Commission adopted some rules requiring suppliers of interconnected VoIP services to supply 911 emergency calling capabilities to their customers by November 28, 2005. The FCC and the National Association of Regulatory Utility Commissioners formed the Joint Federal/State VoIP Enhanced 911 Enforcement Task Force to facilitate compliance of the FCC's VoIP 911 rules. According to Vonage, a VoIP supplier, its customers are subject to the emergency telephone service charge if the state and/or local governments assess fees for emergency services, but the problem is that the service suppliers are unsure of where to remit their collections since the telecommunications technology is not explicitly mentioned in state law.

Recommendations

1. To ensure that emergency telephone service charges are being properly collected and remitted, the Legislature should amend MISS. CODE ANN. Section 19-5-313 (1972) to provide the following:
 - for the fiscal year beginning October 1, 2007, and the following fiscal year, each service supplier shall provide each emergency communications district with a sworn copy of an emergency telephone service charge billing history for the district detailing, by month: the number of residential and commercial customers; the amount billed in emergency telephone service charges; any adjustments, amounts uncollectable, and administrative fees; any other items related to the collection and remittance of emergency telephone service charges; and the net total remitted to the district;
 - for the fiscal year beginning October 1, 2009, each service supplier shall provide to each emergency communications district an audit, conducted by an independent certified public accounting firm, of the service supplier's books and records with respect to the collection and remittance of the emergency telephone service charge;
 - for the following fiscal years, each service supplier shall adhere to the following ongoing three-year cycle: sworn reports for two fiscal years followed by an audit report from an independent certified public accounting firm every third year.

The Legislature should also amend this section to provide that counties issue a formal demand, via certified mail, for the statutorily required audits and authorize a civil fine of \$50,000 against any service supplier that fails to provide a copy of the audit so requested. Further, the amendment should authorize the Attorney General or the district attorney of the county to assist in the collection of such fines.

2. To ensure that emergency telephone service charges are being properly collected and remitted, the Legislature should provide the CMRS Board with a mechanism for funding the audits of service suppliers that are authorized in state law. As recommended in PEER's 2001 review of the CMRS Board, the Legislature should amend MISS. CODE ANN. Section 19-5-333 (1972) to require that the suppliers bear the costs of such audits. The amendment should also give the CMRS Board the discretion to decide whether the audit costs are reimbursable as part of recurring costs under the board's cost recovery mechanism.
3. To assist in assessing and collecting emergency telephone service charges, the Legislature should amend MISS. CODE ANN. Sections 19-5-303 and 19-5-313 (1972) to include broadband communications as a type of communications subject to a service charge levied by the board of supervisors. Also, the Legislature should amend MISS. CODE ANN. Section 19-5-333 (1972) to direct the CMRS Board to impose emergency telephone service charges on customers who pay for commercial mobile radio services prospectively--i.e., prepaid customers.
4. The district should share the purchase and operating costs of its equipment with all entities using the equipment (e.g., tower antennae space, T1 line) based on usage.
5. The City of Meridian and Lauderdale County should continue to provide financial support to the Lauderdale County Emergency Communications District as specified in the Memorandum of Understanding. Also, the Lauderdale County Emergency Communications District Commission should negotiate a Memorandum of Understanding with the Town of Marion to set a fair and reasonable amount to compensate the Lauderdale County Emergency Communications District for emergency services that it renders for the Town of Marion.



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RESPONSE BY LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT TO THE PEER COMMITTEE'S REVIEW AS TO WHETHER THE LEGISLATURE SHOULD INCREASE EMERGENCY TELEPHONE SERVICE CHARGES FOR THE LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

The Lauderdale County Emergency Communications District is appreciative of the manner in which the Peer Committee's personnel approached this study which resulted in this report.

Response to General Statements

1. The Lauderdale County effort was to ask the Legislature to enable all Boards of Supervisors to increase telephone subscriber charges and cell phone charges greater than what is now allowed by Mississippi statutes (Mississippi Code Annotated §§ 19-5-313 and 19-5-333). It is recognized that the general statutes would have to be amended which would affect the entire state if the legislative draftsmen determined that an amendment to the local and private law creating the Lauderdale County Emergency Communications District could not be used for such purpose.

2. The ultimate responsibility for raising the telephone service charge would be the local Boards of Supervisors in each county, but they are limited now by the maximum charges in the aforementioned Mississippi Code §§ 19-5-313 and 19-5-333 and that source of funding is insufficient for the Lauderdale County Emergency Communications District to underwrite its budget.

3. The budget of the Lauderdale County Emergency Communications District is entirely funded by the taxpayer—whether it comes from the telephone service charge or whether it comes from city taxes, or whether it comes from taxes imposed by the Board of Supervisors or the Town of Marion in the nature of supplements to the E911 budget. The taxpayer is the sole source of revenue. The service charge on telephone lines and cell subscribers is a user charge as opposed to ad valorem taxes which only affects owners of personal and real property of a particular city, town or county.

4. One of the problems is that the users of prepaid phone cards, although they are a user of E911 services, pay no user charge. If they are not otherwise taxpayers, they pay nothing for E911 services.

5. One of the suggestions in the Peer Committee report for reducing the District's expenditures resulted from a Georgia study that mathematically calculated that the District could eliminate three of its dispatch operator positions, but its math was erroneously based on only emergency calls which unrealistically distorts the calculation. The E911 operators must answer every call whether it is an emergency call or whether it is an administrative call. Efforts have been made to try to isolate the E911 telephone numbers from the administrative telephone numbers, but that is a practical impossibility. Once the public has the E911 or City Police or Sheriff's administrative line numbers available to them, they will call and the operators must of necessity answer that telephone call—not knowing whether it is administrative in nature or whether it is an emergency. If there were to be a way for those calls to be isolated and diverted to the city or the county or the Town of Marion or any other emergency responder, then those entities would of necessity be required to employ persons to answer those administrative calls. The taxpayers would have to pay for that position as well, but, while the conclusion of the Georgia consultant was interesting, it does not acknowledge that all of those calls must be answered by someone, and those persons answering those calls must be paid by the taxpayer. The Georgia study took an average of so many calls per day. It does not consider that there are sometimes in the day and sometimes in the nights when the calls are lighter and then there are other times during the day and the night when there are many, many more calls than at slack times. You must staff for worst case scenario. The average number of calls received over any period of time is an improper and distorted number.

Another problem with the suggestion of eliminating three of the dispatch operator positions is that doing so would leave only three workers per shift. If someone should call in sick, have an accident or otherwise not show up for work, that would leave only two persons per shift. That reduction would also complicate planned time off for vacations, sick family members or Family Medical Leave Act requirements. A short staff would have major problems should there be a major multi-vehicle accident on the interstate, another Lockheed-type shooting or should there be a need to provide dispatch services in a search for missing children, not to mention regular heavy work such as traffic details which would become a nightmare with only three dispatchers.

6. Each individual taxpayer cannot choose whether it will be taxed on the taxpayer's real or personal property. That is mandated by law. However, each telephone and cell phone user can elect how many telephone lines they choose to subscribe to and how many cell phones each uses and consequently can individually effect how much they pay in

service charges for either land lines or cell phones. Also, persons who live outside of Lauderdale County use Lauderdale County's E911 services, but do not pay ad valorem taxes to the local taxing authorities.


Response to Recommendations

The Lauderdale County Emergency Communications District agrees with recommendations one, two, three and five of the Peer Committee report.

Recommendation four is one that the district recognizes is a possibility, but it should be pointed out that if the Sheriff, the City police, the respective fire responders and the ambulance service were each paying their own expense for antennae space and T1 lines, then their budgets would increase, and that increase must be paid by the taxpayer. The Lauderdale County Emergency Communications District made a policy decision that since the taxpayer is paying the bill anyway, that the district, since it has elected to consolidate the dispatch services, should consolidate and pay those expenses for antennae space and T1 lines.

Respectively submitted,

LAUDERDALE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

BY: 
CRAIG HITT, Chairman

Dated: September 6, 2006

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