

Emergency Communications Fund

Review



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I. Introduction and Scope

As part of the greater Kansas City metropolitan area, Clay County participates in the “911 Interlocal Cooperation Agreement” administered by the Mid-America Regional Council (MARC).¹ Various services provided from this arrangement include the 911 phone communication network itself, translation abilities, cyber security, Geographic Information System (GIS) maintenance, cell phone tower maintenance, 911 equipment such as Public Safety Answering Points (PSAPs), coordination, and so forth. Costs for the region are shared under the Agreement proportionally based on population.

Each participating entity must therefore dedicate a funding source from its own revenues to pay into the system. For Clay County, the only current revenue for 911 services comes from a 2% fee on landline phone bills. This fee was authorized by the voters on the April 6, 1982 ballot, pursuant to Revised Statute of Missouri (RSMo) 190.305. The State additionally remits an ancillary amount to the County for 911 from a 3% charge on prepaid wireless phones (RSMo 190.460). This prepaid fee started in 2019.

In recent years, the trend has emerged with increasing costs for 911 equipment and services. At the same time, revenues from landline telephones continue to decrease on account of more and more households switching to cellular phones or other digital types of devices with the ability to call 911. Consequently, Clay County has had to subsidize its Emergency Communications Fund with general revenue in order to meet its obligations with MARC.

Given this problem, the County Commission recently expressed interest and discussed possible solutions. Accordingly, the County Auditor can conduct an audit of this account per RSMo 55.030 and 55.160 (under County Constitution Section 4.02). The relevant form of audit in this case for Generally Accepted Government Auditing Standards is a Review. With this type of audit, the auditor reaches conclusions to findings based on adequate and sufficient evidence. Each finding contains the necessary elements of the Condition (the issue at hand), Criteria (reason it’s an issue), Cause (what led to the matter), and Effect (implication or significance).

Importantly there is no assessment of internal controls or performance and efficiencies in this Review. There also isn’t an auditee and no required management responses to findings. Instead, this Review is meant for informational purposes to benefit Commission decision-making and to provide greater transparency to the taxpayers on the subject. Relevant areas covered by the Review involve:

- Landline 2% Fee Revenues
- Costs for MARC 911 Interlocal Cooperation Agreement
- County General Fund Transfers
- Alternative Financing Options

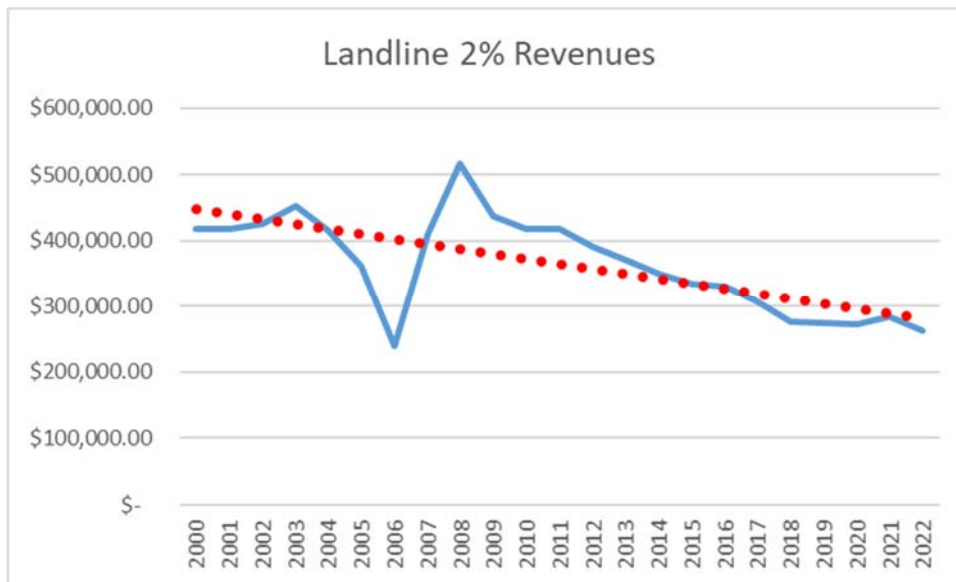
¹ <https://www.marc.org/safety-security/public-safety-communications/regional-911-system>

II. Audit

- **Landline 2% Fee Revenues**

Condition: Revenues from the 2% fee on landline telephones in Clay County continue to decrease year after year. From 2000-2022, the amount of the decline is \$199,793.66 or 47.8% from \$418,030.75 in 2000 to only \$218,237.09 in the most recent year of 2022—almost a cut in half.

Here are accompanying graphs and charts for the data. A trend line is added to smooth some aberrations due to timing of deposits.



Year	Landline 2% Revenues	\$ Change	% Change
2000	\$ 418,030.75	\$ -	0.0%
2001	\$ 417,658.59	\$ (372.16)	-0.1%
2002	\$ 425,428.16	\$ 7,769.57	1.9%
2003	\$ 453,742.19	\$ 28,314.03	6.7%
2004	\$ 416,528.08	\$ (37,214.11)	-8.2%
2005	\$ 362,733.68	\$ (53,794.40)	-12.9%
2006	\$ 240,381.63	\$ (122,352.05)	-33.7%
2007	\$ 411,022.64	\$ 170,641.01	71.0%
2008	\$ 517,351.81	\$ 106,329.17	25.9%
2009	\$ 438,248.39	\$ (79,103.42)	-15.3%
2010	\$ 418,400.26	\$ (19,848.13)	-4.5%
2011	\$ 418,932.20	\$ 531.94	0.1%
2012	\$ 391,514.60	\$ (27,417.60)	-6.5%
2013	\$ 371,612.56	\$ (19,902.04)	-5.1%
2014	\$ 349,623.68	\$ (21,988.88)	-5.9%
2015	\$ 334,627.88	\$ (14,995.80)	-4.3%
2016	\$ 330,646.92	\$ (3,980.96)	-1.2%
2017	\$ 306,635.44	\$ (24,011.48)	-7.3%
2018	\$ 275,476.53	\$ (31,158.91)	-10.2%
2019	\$ 248,559.97	\$ (26,916.56)	-9.8%
2020	\$ 217,688.49	\$ (30,871.48)	-12.4%
2021	\$ 234,492.62	\$ 16,804.13	7.7%
2022	\$ 218,237.09	\$ (16,255.53)	-6.9%
Total	\$ 8,217,574.16	\$ (199,793.66)	-47.8%

State revenues from the 3% charge on prepaid phones appear to not change the condition, based on the following:

Year	Prepaid
2019	\$ 25,963.39
2020	\$ 55,667.66
2021	\$ 50,257.40
2022	\$ 43,879.50

Criteria: As referenced in the introduction, RSMo 190.305 authorized the landline phone fee for 911 services. Clay County voters approved it on the April 6, 1982 ballot (see RSMo 190.320).

Cause: The most logical explanation for decreasing revenues from this fee is due to the societal switch from landline phones to mobile and digital devices. In fact, the County Auditor’s Office currently audits payments from telecommunications providers to verify correct calculation of the 2% fee, less a 2% administrative fee of that revenue for processing firms. Other than requesting that providers submit detailed backup with checks, we’ve uncovered no instances of incorrect payments to date.

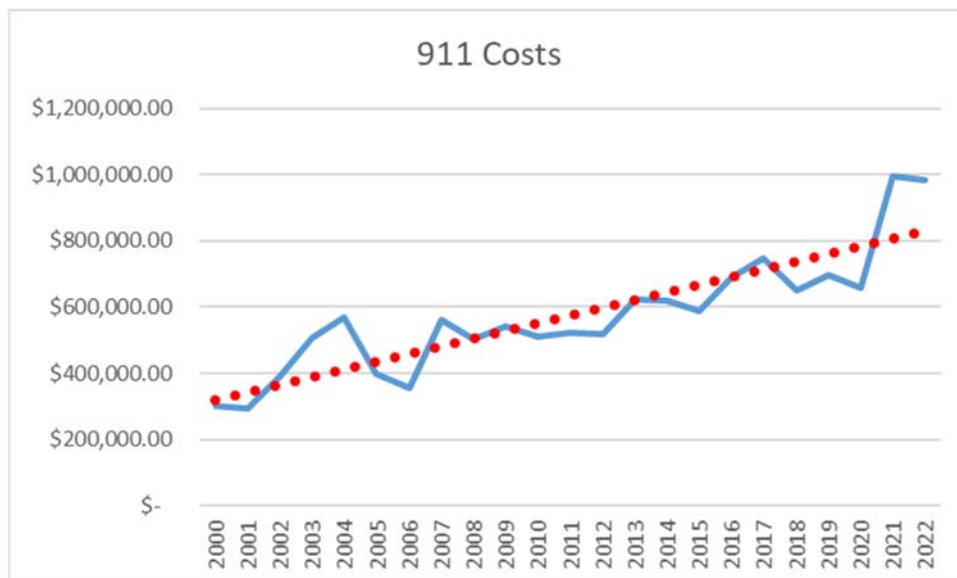
Effect: As outlined above, the impact of this revenue shortfall is that the County must utilize general revenue to cover its MARC bills.

Conclusion: The 2% fee placed on landline telephone bills is insufficient for the County to effectively provide for 911 service.

- **Costs for MARC 911 Interlocal Cooperation Agreement**

Condition: Shared costs to operate the regional 911 system continue to escalate, most notably in recent years. From 2000-2022, the amount of the increase is \$681,921.60 or 227.3% from \$300,023.55 in 2000 to \$981,945.15 in 2022. We also point out that the 2023 Budget amount is \$1,264,733.02 or 28.8% higher.

Here are accompanying graphs and charts for the data. A trend line is added to smooth some aberrations due to timing of payments to MARC.



Year	911 Costs	\$ Change	% Change
2000	\$ 300,023.55	\$ -	0.0%
2001	\$ 293,590.38	\$ (6,433.17)	-2.1%
2002	\$ 389,337.84	\$ 95,747.46	32.6%
2003	\$ 504,871.43	\$ 115,533.59	29.7%
2004	\$ 568,088.79	\$ 63,217.36	12.5%
2005	\$ 397,452.44	\$ (170,636.35)	-30.0%
2006	\$ 354,358.65	\$ (43,093.79)	-10.8%
2007	\$ 560,270.37	\$ 205,911.72	58.1%
2008	\$ 503,858.39	\$ (56,411.98)	-10.1%
2009	\$ 542,773.55	\$ 38,915.16	7.7%
2010	\$ 510,376.57	\$ (32,396.98)	-6.0%
2011	\$ 521,878.71	\$ 11,502.14	2.3%
2012	\$ 518,890.84	\$ (2,987.87)	-0.6%
2013	\$ 623,212.88	\$ 104,322.04	20.1%
2014	\$ 617,768.00	\$ (5,444.88)	-0.9%
2015	\$ 588,184.27	\$ (29,583.73)	-4.8%
2016	\$ 689,025.12	\$ 100,840.85	17.1%
2017	\$ 748,492.55	\$ 59,467.43	8.6%
2018	\$ 649,321.14	\$ (99,171.41)	-13.2%
2019	\$ 696,000.59	\$ 46,679.45	7.2%
2020	\$ 659,226.80	\$ (36,773.79)	-5.3%
2021	\$ 994,224.60	\$ 334,997.80	50.8%
2022	\$ 981,945.15	\$ (12,279.45)	-1.2%
Total	\$13,213,172.61	\$ 681,921.60	227.3%

Criteria: The County Commission approved various versions of the 911 Interlocal Cooperation Agreement with MARC, the most recent being Resolution 2013-219.

Cause: The reasonable explanations for increasing costs of the 911 system range from higher population and area coverage, personnel costs, improved technology, and other usual inflation.

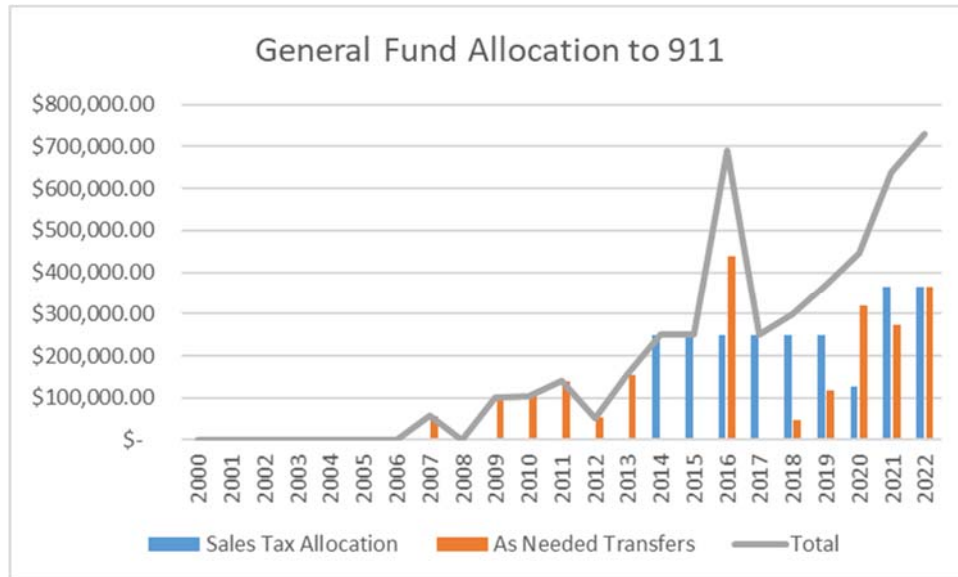
Effect: As with the landline phone revenue finding, the effect of higher 911 costs is that the County must supplement the Emergency Communications Fund with general revenue—essentially general sales tax.

Conclusion: Increasing costs to support the MARC 911 system outpace landline phone revenues and the gap continues to grow year over year.

- **County General Fund Transfers**

Condition: The shortfall in 911 funding from the 2% landline phone fee has led to County general revenue picking up a larger and larger portion of Emergency Communications Fund costs through transfers, primarily with sales tax. This pattern continued unabated from 2017-2022, with general revenue transfers covering some 74.2% of 911 costs in the prior year (\$729,423.47 out of \$981,945.15). In the 2023 Budget, the general transfer, with sales tax and as needed transfers combined, is up to 79% (\$999,735.00 out of \$1,264,733.02).

Here are accompanying graphs and charts for the data.



Year	Sales Tax Allocation	As Needed Transfers	Total
2000	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -
2002	\$ -	\$ -	\$ -
2003	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -
2005	\$ -	\$ -	\$ -
2006	\$ -	\$ -	\$ -
2007	\$ -	\$ 57,000.00	\$ 57,000.00
2008	\$ -	\$ -	\$ -
2009	\$ -	\$ 100,000.00	\$ 100,000.00
2010	\$ -	\$ 104,200.00	\$ 104,200.00
2011	\$ -	\$ 140,000.00	\$ 140,000.00
2012	\$ -	\$ 52,000.00	\$ 52,000.00
2013	\$ -	\$ 154,990.00	\$ 154,990.00
2014	\$ 249,999.96	\$ -	\$ 249,999.96
2015	\$ 249,999.96	\$ -	\$ 249,999.96
2016	\$ 249,999.96	\$ 440,000.00	\$ 689,999.96
2017	\$ 249,996.33	\$ -	\$ 249,996.33
2018	\$ 249,996.00	\$ 47,971.00	\$ 297,967.00
2019	\$ 250,346.76	\$ 118,512.45	\$ 368,859.21
2020	\$ 125,159.58	\$ 320,582.00	\$ 445,741.58
2021	\$ 365,046.71	\$ 272,846.80	\$ 637,893.51
2022	\$ 365,023.47	\$ 364,400.00	\$ 729,423.47
Total	\$ 2,355,568.73	\$ 2,172,502.25	\$ 4,528,070.98

Criteria: RSMo 67.505 and 67.547 authorize county general sales taxes with no restrictions on their use, meaning the flexibility for transfers to fund 911 costs. Other components of general County revenue include the property tax (only \$0.0250 per \$100 assessed valuation), authorized in Article X of the Missouri Constitution and RSMo Ch. 137.

Cause: As before discussed, the cause of more County General Fund transfers to the Emergency Communications Fund is on account of higher 911 costs combined with declining fee revenues from landline telephones.

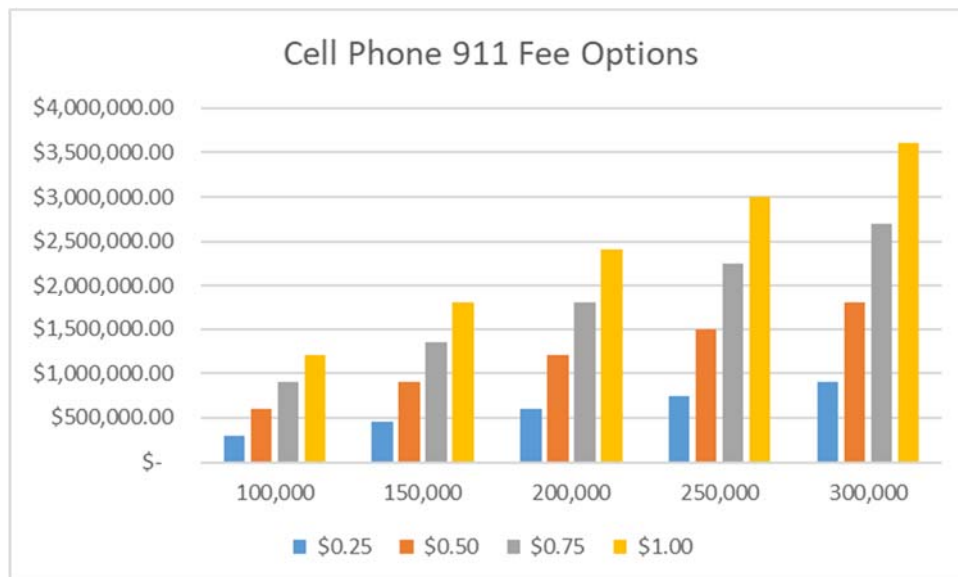
Effect: With a balanced budget requirement, in essence the ~\$1 annual million financing of the Emergency Communications Fund gap leads to a tradeoff from other County needs and departments.

Conclusion: The County General Fund supplants rising costs for 911. Every year this subsidy occurs, it means less funding available for County functions such as law enforcement, public safety, roads, parks, and administrative offices.

- **Alternative Financing Options**

Condition: Missouri Statute allows other dedicated revenue streams to fund 911 costs beyond general county budget appropriations and landline telephone fees. Those vary among two laws from a separate sales tax for central dispatch to a monthly subscriber fee on 911-capable mobile devices. In light of other County sales taxes in place and the funding deficit of around \$1 million, however, the subscriber fee looks more appropriate for the taxpayer.

With a population estimated as of July 1st, 2022 at 257,033,² it's quickly evident that a subscriber fee on every mobile device solves the Emergency Communications Fund's costs. This presumes at least that many devices in Clay County, although the amount is potentially more. Using those figures as a baseline, however, reveals these annual monetary results:



² <https://www.census.gov/quickfacts/claycountymissouri>

Phone Numbers	\$ 0.25	\$ 0.50	\$ 0.75	\$ 1.00
100,000	\$ 300,000.00	\$ 600,000.00	\$ 900,000.00	\$ 1,200,000.00
150,000	\$ 450,000.00	\$ 900,000.00	\$ 1,350,000.00	\$ 1,800,000.00
200,000	\$ 600,000.00	\$ 1,200,000.00	\$ 1,800,000.00	\$ 2,400,000.00
250,000	\$ 750,000.00	\$ 1,500,000.00	\$ 2,250,000.00	\$ 3,000,000.00
300,000	\$ 900,000.00	\$ 1,800,000.00	\$ 2,700,000.00	\$ 3,600,000.00

As seen and highlighted, even a \$0.50 fee on approximately 250,000 devices yields more than enough revenue of \$1.5 million to address the MARC budget at present of \$1,264,733.02. Long-term, however, the revenue remains relatively flat depending on population growth, so establishing the fee at \$1 provides potentially sustainable financing to address increased costs.

Indeed, information from the Missouri 911 Service Board reveals Clay County’s neighbor Jackson County collects about \$8.2 million a year on its recently-enacted \$1 subscriber fee. This comes with a population of 716,531 residents.³ At about 1/3rd of the population, this means Clay County’s expected annual 911 revenue at \$1 per month per device equates to roughly \$2,970,783.31 or \$3 million. Other area counties by Clay with a subscriber fee entail Clinton County, DeKalb County, Jackson County as mentioned, Lafayette County, and Pettis County. Only 10 counties in Missouri utilize the device subscriber fee.

Criteria: RSMo 190.292 and 190.335 states the process for adopting a county sales tax up to 1% for central dispatch emergency services, which replaces the landline phone tax. Meanwhile RSMo 190.455, which came into effect in 2019, describes how to submit a ballot question to voters for approving up to a \$1 fee per month for 911 on mobile devices. If a county passes the subscriber fee, however, it prohibits the dispatch sales tax or landline fee from RSMo 190.305. Only one form of 911 tax can exist at a time. RSMo 190.455 furthermore stipulates that counties establishing subscriber fees on wireless devices must develop plans to consolidate emergency dispatching services.

Cause: The County sales tax rates add up to \$0.01125 or 1.125%. This breaks out as 0.75% in general County sales taxes, 0.125% for the Law Enforcement Sales Tax, and 0.25% for the Children’s Services Sales Tax. The County Commission appoints the Children’s Services Fund Board, but the jurisdiction remains distinct from it. For reference, with just 0.125%, the Law Enforcement Sales Tax equates to over \$5 million a year after 10% of Tax Increment Financing (TIF) withholdings. As a result, switching the landline fee to the wireless fee offers a more reasonable solution than another sales tax on retail purchases.

Effect: At \$0.50 per month per line, the cell phone payer, assuming a successful ballot initiative, stands to see only \$6 a year in additional costs on his or her bill. The cost is \$12 a year with a \$1 per month per line fee. Individuals call 911 on mobile devices today, so the subscriber fee option operates more like a user fee than a tax. Once implemented, \$1 million becomes freed up for other County government priorities. Potential uses for surplus revenue generated by the subscriber fee could be personnel costs for dispatch personnel in the Sheriff’s Office or other capital improvements to 911 equipment.

³ <https://www.census.gov/quickfacts/fact/table/jacksoncountymissouri/PST045222>

Conclusion: Given the mathematical reality of diminishing revenues for 911 from landline telephone fees, moving towards a similar setup on wireless devices makes sense. Voters approved of this in 1982, so the chance seems possible in the future. The County further started collocated dispatch in partnership with the cities of Gladstone and Liberty utilizing American Rescue Plan Act (ARPA) grant dollars (Resolution 2022-158). This came along with acquiring a Computer Aided Dispatch (CAD) software system already in use by other municipalities in Clay County (Resolution 2021-329).

III. Overall Rating for this Audit

Explanation: In light of the status quo for the findings in this Review, this audit obtains a 3 star rating out of 5.



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Attachment #1: Public List from Department of Revenue of Missouri Counties with Subscriber Fee

Political Subdivision ID	Entity	Effective Date
00000001	ADAIR COUNTY	10-01-2019
00000003	ANDREW COUNTY	10-01-2019
00000025	CALDWELL COUNTY	10-01-2019
00000049	CLINTON COUNTY	10-01-2019
00000063	DEKALB COUNTY	10-01-2019
00000095	JACKSON COUNTY	04-01-2021
00000107	LAFAYETTE COUNTY	01-01-2020
00000143	NEW MADRID COUNTY	10-01-2019
00000159	PETTIS COUNTY	10-01-2019
00000175	RANDOLPH COUNTY	10-01-2019

