



9-1-1 PROGRAM

PROGRAM GUIDANCE

Calendar Year 2017

January 1, 2017 – December 31, 2017

The information in this document provides general program guidance and financial management requirements for recipients of 9-1-1 funding from the Pennsylvania Emergency Management Agency in calendar year 2017.

This document is supplemented by the *Accounting and Financial Reporting Manual* that will provide county representatives, who are responsible for 9-1-1 Fund accounting and reporting, with detailed accounting and financial reporting guidelines and requirements.

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INTRODUCTION

The Pennsylvania General Assembly took proactive measures to facilitate the implementation of Next Generation 9-1-1 (NG9-1-1) in Pennsylvania by passing Act 12 of 2015. The legislation provides a roadmap for the Commonwealth's transition to NG9-1-1 with new requirements related to funding, governance, oversight, and planning.

The primary funding source for 9-1-1 operations in Pennsylvania is a surcharge levied on communications services capable of two-way communication to a Public Safety Answering Point (PSAP) such as wireline telephone, wireless (Prepaid and Postpaid service), and Voice over Internet Protocol (VoIP) service.

The Pennsylvania Emergency Management Agency (PEMA) is directed by Act 12 of 2015 to establish guidelines, standards and reporting requirements for the administration of 9-1-1 systems in the Commonwealth of Pennsylvania. The information in this document provides general program guidance and financial management requirements for recipients of 9-1-1 funding from the Pennsylvania Emergency Management Agency in calendar year 2017.

Financial management standards and program guidance are provided with the intent of implementing standardized accounting procedures for recipients of 9-1-1 funding. Standardized accounting procedures will facilitate comparison and analysis of PSAP financial reports on a statewide basis by minimizing differences between counties' philosophies, methods, and terminologies. The standardized financial information will be used for planning initiatives, allocating limited resources, and determining/demonstrating compliance with financial management standards and program guidance.

Counties are to ensure 9-1-1 service is provided in their jurisdiction and to comply with the guidelines, standards and reporting requirements established by PEMA (35 Pa. C.S. § 5304). Funding for 9-1-1 shall not be expended on a 9-1-1 system that does not conform to the standards and guidance published by PEMA (35 Pa. C.S. § 5306.1 (c) (2)). Compliance with these requirements and guidance will be verified through the biennial audit process.

County representatives (9-1-1 Coordinators, fiscal, budget, controllers, commissioners, consultants, etc.) responsible for 9-1-1 funding should be familiar with this document. **This document is supplemented by an *Accounting and Financial Reporting Manual* that will provide county representatives, who are responsible for 9-1-1 Fund accounting and reporting, with detailed accounting and financial reporting guidelines and requirements.**

Please note: For the purposes of this document, the term "county" includes the cities of Allentown and Bethlehem as these cities host a primary PSAP.

2017 FUNDING PROGRAM INFORMATION

9-1-1 SURCHARGE REVENUE

Under Act 12 of 2015, a uniform monthly surcharge fee of \$1.65 went into effect as of August 1, 2015. Each subscriber or consumer shall pay a surcharge of \$1.65 for each 9-1-1 communications service or prepaid wireless device for which that subscriber or consumer is billed by a provider or seller. For multi-line telephone systems, the legislation does provide a reduced surcharge rate on a sliding scale based on the number of lines.

With the exception of prepaid wireless service, providers are to assess and collect the uniform surcharge monthly and forward the amount collected quarterly to the Commonwealth for deposit into the 9-1-1 Fund. The due date for providers to remit the funds to the Commonwealth is fifteen (15) days after a calendar quarter ends. Providers may retain up to one percent (1%) of the revenue collected for their actual administrative costs.

The uniform surcharge on prepaid wireless service is charged and collected by retailers and remitted to the Commonwealth with the same due dates as a retailer's sales/use tax returns (usually monthly or quarterly). Sellers of prepaid wireless service may retain one and a half percent (1.5%) of the amount collected for their actual administrative costs.

REVENUE DISTRIBUTION

As required by Act 12 of 2015:

- **Eighty-three percent (83%)** of the surcharge revenue collected quarterly will be distributed to PSAPs using a formula based calculation.
- **Fifteen percent (15%)** shall be used by PEMA to establish, enhance, operate or maintain statewide interconnectivity of 9-1-1 systems.
- **Up to two percent (2%)** of the amount in the fund may be retained by PEMA for expenses directly related to administering the provisions of the legislation.

FORMULA BASED FUNDS (83% Funds) OVERVIEW

FORMULA OVERVIEW

The legislation required PEMA, in consultation with the 9-1-1 Advisory Board, to establish and implement an initial distribution formula by February 1, 2017. The distribution formula will be reviewed every two years and may be adjusted annually.

PEMA, in consultation with 9-1-1 Advisory Board, developed an initial formula that keeps PSAPs level funded until standardized call volume, financial, and other needed information is in place. The formula mirrors the interim distribution formula in place during 2016. The initial formula meets the requirements set forth in the legislation; at least thirty percent (30%) of the formula calculation must be based on population and three percent (3%) must be disbursed equally to the PSAPs. Consolidation of PSAPs shall not reduce an allocation to a county.

2017 FORMULA

The 2017 funding formula will be reflected in the payment calculations for the first quarter of 2017.

83 percent of the surcharge revenue collected quarterly will be distributed to PSAPs using the following two-part formula based calculation:

1. Three percent (3%) of the available amount will be equally distributed to each PSAP.
2. Remaining funds are distributed based on the following calculation:
 - a. Thirty percent (30%) of the remaining amount will be distributed based on the ratio of a county's population to the total Commonwealth population.
 - b. Seventy percent (70%) of the remaining amount will be distributed based on the ratio of a county's *Revenue Difference* to the total Commonwealth *Revenue Difference*.

REVENUE DIFFERENCE RATIO

The *Revenue Difference* for each PSAP was calculated using the following steps:

1. Determine revenue a PSAP would have received using the interim formula at \$314 million.
2. Subtract a 3% equal distribution at \$314 million.
3. Subtract a 30% distribution based on population at \$314 million.

The Revenue Difference Ratio is calculated by comparing the Revenue Difference for each PSAP to the Revenue Difference for all PSAPs.

2017 QUARTERLY PAYMENT SCHEDULE

Within 30 days after the end of each calendar quarter, PEMA is required to determine the amount available in the 9-1-1 Fund for distribution and disburse 83 percent of the revenue collected to the PSAPs using a formula based calculation.

A payment schedule for 2017 is shown below. Counties must report these payments as revenue in 2017.

CALENDAR QUARTER		DUE DATE FOR PROVIDERS TO REMIT SURCHARGE REVENUE	DATE PAYMENT RECEIVED BY COUNTY (ESTIMATED)
1 st	January – March	April 15, 2017	May 8, 2017
2 nd	April – June	July 15, 2017	August 7, 2017
3 rd	July – September	October 15, 2017	November 7, 2017
4 th	October - December	January 15, 2018	February 5, 2018

PAYMENT AMOUNTS and CALCULATIONS

Each quarter, 9-1-1 Fund revenue and formula payment calculations for each county are posted to PEMA's website at the following link: http://www.pema.pa.gov/9-1-1/Pages/E-9-1-1-REPORTS.aspx#.Vw_cHKTD-Uk

STATEWIDE INTERCONNECTIVITY FUNDS (15% Funds) OVERVIEW

Of the revenue collected quarterly, 15 percent is set aside to connect 9-1-1 systems Commonwealth-wide. Per Act 12, this funding shall be used by PEMA to establish, enhance, operate or maintain statewide interconnectivity of 9-1-1 systems.

2017 STATEWIDE INTERCONNECTIVITY FUNDING DISTRIBUTION

In 2016, PEMA, in consultation with the 9-1-1 Advisory Board, adopted a statewide NG9-1-1 Strategic Plan that sets priorities for 9-1-1 systems and plans for NG9-1-1. A NG9-1-1 Implementation Plan and standards for technology, next generation 9-1-1 technology, administration and operation of 9-1-1 systems are in progress.

The statewide NG9-1-1 Strategic Plan, NG9-1-1 Implementation Plan, and standards will be used to prioritize and direct where statewide interconnectivity funds are allocated in 2017. Allocations of statewide interconnectivity funding in 2017 will be a coordinated effort rather than having an open competitive application process.

An information bulletin will be issued providing further guidance on Statewide Interconnectivity funding in 2017.

2017 ELIGIBILITY FACTORS LIST

9-1-1 funds shall be used only for reasonably necessary costs that enhance, operate or maintain a 9-1-1 system. Reasonably necessary costs shall be determined by PEMA, in consultation with the 9-1-1 Advisory Board.

Eligible uses for 9-1-1 funding are provided on the *2017 Eligibility Factors List* published by PEMA in consultation with the 9-1-1 Advisory Board.

USING THE ELIGIBILITY FACTORS LIST:

The Eligibility Factors List groups costs that enhance, operate or maintain a 9-1-1 system by *Cost Type and Cost Category*. For each *Cost Category*, general criteria are provided in the *Eligible Uses* column that counties must use to determine and justify eligibility. Counties are responsible for demonstrating costs meets the Eligible Uses criteria on the annual Combined Report or during a biennial audit. Items that do not meet the Eligible Uses criteria are not eligible for 9-1-1 funding.

The following process should be used by counties to determine eligible uses of funding:

1. Does the item fit into a Cost Type?
 - Yes – Refer to the Cost Categories and Eligible Uses for that Cost Type.
 - No – The item is ineligible.

2. Does the item meet the Eligible Uses criteria for a Cost Category?
 - Yes - The item is eligible.
 - No - The item is ineligible.

ELIGIBILITY REQUIREMENTS SPECIFIC TO FORMULA BASED FUNDS (83% FUNDS)

Counties have discretion over how formula based 9-1-1 funds are spent; provided the funds are used for expenses that meet the eligible uses criteria on the 2017 Eligibility Factors List. The intent is to provide PSAPs with the flexibility to prioritize and spend funds as they see fit to meet their specific PSAP's or region's needs. Counties are responsible for managing their formula based 9-1-1 funding to meet current and future needs.

ELIGIBILITY REQUIREMENTS – SPECIFIC TO FORMULA BASED FUNDS:

1. Funds must be used for current eligible expenses.
2. Funds may not be used for prior year expenses or to offset prior year deficits.
3. Prior year remaining 9-1-1 Fund balances shall only be used for eligible 9-1-1 expenses.
4. 9-1-1 funds shall not be transferred for General Fund use by the Commonwealth or counties.
5. Costs eligible at a primary PSAP are eligible at a back-up center.

ELIGIBILITY REQUIREMENTS SPECIFIC TO STATEWIDE INTERCONNECTIVITY FUNDS (15% Funds)

Statewide interconnectivity funding made available to counties will be distributed through a grant process in accordance with the guidelines and application procedures published by PEMA.

ELIGIBILITY REQUIREMENTS – SPECIFIC TO STATEWIDE INTERCONNECTIVITY FUNDS:

1. Project expenses must meet the eligible uses criteria on the 2017 Eligibility Factors List unless specifically identified in the project workplan and approved by PEMA.
2. Statewide interconnectivity funds must be expended according to the approved project workplan and the approved project budget. Only the items listed on the approved project workplan and the approved project budget for each project are allowable expenditures for these funds.
3. Statewide interconnectivity funds granted must be expended or obligated within the project timeline.
4. Counties may not combine statewide interconnectivity project awards.
5. Counties may not reallocate statewide interconnectivity funds from one project to another statewide interconnectivity project or any other purpose.

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2017 GENERAL FINANCIAL MANAGEMENT REQUIREMENTS

ACCOUNT

9-1-1 funds must be deposited and maintained in a restricted interest bearing account. If pooled accounts are used, a reasonable method must be used to allocate interest to the 9-1-1 Fund.

FUND TYPE and BASIS OF ACCOUNTING

All PEMA reporting must use the modified accrual basis of accounting.

Under Act 12, a county will no longer receive 9-1-1 surcharge revenue directly from a provider. All 9-1-1 surcharge revenue is received from PEMA and this funding is restricted for 9-1-1 use. Therefore, it is anticipated that most counties will report 9-1-1 Funds as a Special Revenue fund type (using modified accrual accounting) for county-wide financial reporting purposes. This change will allow the Combined Report to align with most County's accounting practices for 9-1-1 funding.

CHART OF ACCOUNTS

Expenditures are to be reported following the standard chart of accounts; which will be the Cost Types and Cost Categories on the 2017 Eligibility Factors List.

Recognizing that counties may not have the ability to implement this chart of accounts tracking immediately; counties must ensure there is a reconciliation between expenditures recorded within their 9-1-1 Fund and the amounts reported by Cost Type & Cost Category on the 2017 Combined Report.

ACCOUNTING RECORDS

- 1. An accounting system must be in place that provides accurate and complete information about all financial transactions related to 9-1-1.**
- 2. The accounting system must have the ability to track activities funded by 9-1-1 surcharge revenue separately from non 9-1-1 funded activities.**
- 3. Accounting records must be kept current and provide reliable information upon which to base management decisions and allow the preparation of financial statements in accordance with generally accepted accounting principles.**
- 4. Accounting records must be supported by source documentation such as invoices, contracts, lease agreements, time sheets, bank statements, cancelled checks, etc.**
- 5. Counties are expected to maintain a state of audit readiness; records related to the financial and programmatic aspects of 9-1-1 operations should be readily accessible for audit.**

RECORDS RETENTION

Records must be preserved for at least three years following the submission of the Combined Report or in compliance with the county record retention policy; whichever is longer.

2017 FINANCIAL REPORTING

PSAPs are required to submit a Combined Report for calendar year 2017. The due date for this report is tentatively scheduled for March 31, 2018. An Information Bulletin providing specific instructions regarding completion of the 2017 Combined Report will be provided.

FINANCIAL MANAGEMENT REQUIREMENTS SPECIFIC TO FORMULA BASED FUNDS (83% FUNDS)

PLANNING/BUDGETING

Counties are responsible for managing their formula based 9-1-1 funding to meet current and future needs. As the Commonwealth transitions to NG9-1-1, it is anticipated the use of statewide interconnectivity funds for statewide ESInet implementation, call delivery costs, etc. will lessen the burden on formula based funds. A tradeoff is that counties must manage formula based funds to meet current and future needs.

ANTI-WINDFALL PROVISION

The total annual disbursement from the fund to any PSAP may not exceed the actual annual costs to enhance, operate or maintain that PSAP (35 Pa. C.S. § 5306.1 (e) (6)). Actual annual costs may include amortization or depreciation of allowable capital costs of the 9-1-1 system as determined using generally accepted accounting principles and approved plan allocations to capital and operating reserves, if approved by the agency (35 Pa. C.S. § 5306.1 (e) (6)).

The anti-windfall provision will take effect in 2018. To prepare for the anti-windfall provision, counties have 2017 to implement PEMA's Accounting and Financial Reporting Requirements to ensure standardized accounting practices are in place for 9-1-1 funding across the Commonwealth. Standardized accounting procedures will facilitate comparison and analysis of PSAP financial reports on a statewide basis by minimizing differences between counties' philosophies, methods, and terminologies.

RESERVES

Counties may allocate 9-1-1 funds to capital and operating reserves on the Combined Report.

Reserve allocations will be optional on the 2016 & 2017 Combined Reports. Reserve allocations will be required on the 2018 Combined Report. A reserve cap for capital & operating reserves will be set by PEMA in consultation with the 9-1-1 Advisory Board for the 2017 Combined Report. Reserve allocations shall not exceed the reserve cap. Detailed instructions will be provided on the Information Bulletin issued for the 2017 Combined Report.

DEPRECIATION

The usage of capital assets by the 9-1-1 Program that are already fully depreciated may not be charged to the 9-1-1 Program. Capital assets purchased using pre-Act 12 funding also cannot charge depreciation to the 9-1-1 Program.

Capital asset records must be maintained to clearly define capital assets purchased using 9-1-1 funding, and should follow the county's capitalization policy. Each item should be tracked by a serial or other identification number, acquisition cost and date, location, and estimated useful life. If a capital asset is disposed during the year, this should be tracked. Capital assets should clearly be defined and tracked

between existing capital assets purchased using other funding sources of the PSAP, prior 9-1-1 funding, and those purchased using funding provided under Act 12 (i.e., expenditure incurred as of August 1, 2015 or after).

FINANCIAL MANAGEMENT REQUIREMENTS SPECIFIC TO STATEWIDE INTERCONNECTIVITY FUNDS (15% FUNDS)

PROJECT TRACKING

The activity for each statewide interconnectivity project for which a county receives funding must be tracked/accounted for individually.

PROJECT REPORTING

Costs incurred toward the approved project workplan must be reported as they become known and measurable on the PEMA 9-1-1 Webtool.

STATEWIDE INTERCONNECTIVITY DISBURSEMENTS

For each project award, PEMA will advance funds per milestone as they are completed except for the last milestone of a project. The last milestone will be on a reimbursement basis. Remaining balances from previous milestones will be taken into account as part of the reimbursement/closeout process for each project.

2017 PSAP AUDITS

Per Title 35 Pa. C.S. § 5303 (a) (12), PEMA is to require a biennial performance audit of each 9-1-1 system's use of money from the fund, including allocations to capital or operating reserves.

2017 AUDITS:

In 2017, audits will be conducted on each of the Commonwealth's 69 recipients of 9-1-1 funding in 2017 covering calendar years 2015 & 2016. The purpose of the audits is to:

- Determine compliance with the financial management standards and guidance.
- Determine if financial statements are presented fairly and comply with the requirements of Commonwealth laws and regulations.
- Determine if funds were used for eligible costs in accordance with the Eligibility Factors List, program guidance, and grant agreements.
- Determine 9-1-1 Fund balances.

AREAS OF NONCOMPLIANCE

PEMA will work with funding recipients to address any areas of noncompliance discovered during the audit process. Entities that continually are unable to meet the standards set by PEMA may face increased oversight. Increased oversight may include, but is not limited to, any of the following:

- Requirements that payments from PEMA be reimbursements
- Documentation supporting project costs are submitted regularly
- Ineligibility to receive consideration for statewide interconnectivity funding

AUDIT READINESS

Counties are expected to maintain a state of audit readiness; records related to the financial and programmatic aspects of 9-1-1 operations should be readily accessible for audit.

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