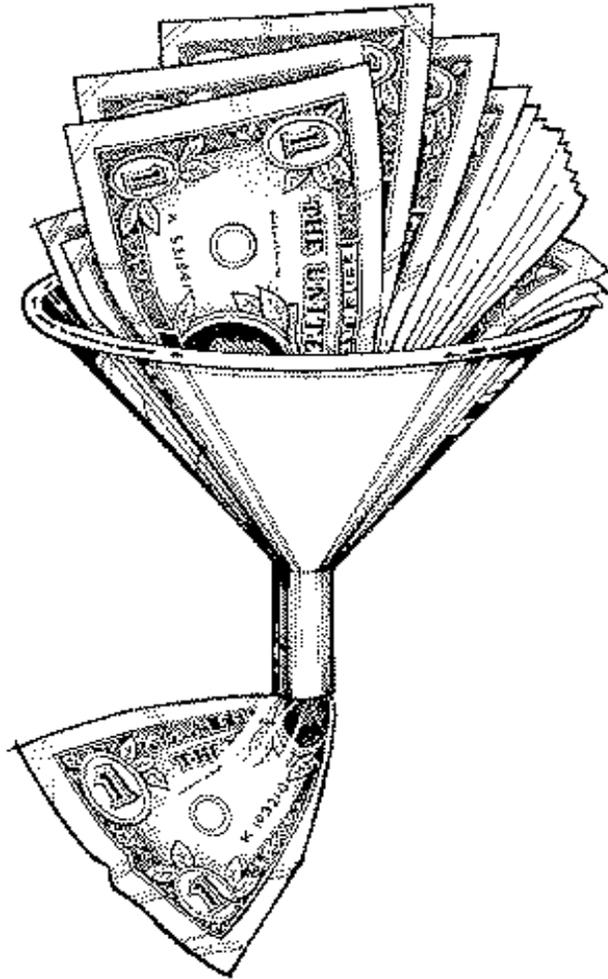


# Report on Funding Mechanisms for Public Safety Radio Communications



Prepared by Booz · Allen & Hamilton  
McLean, Virginia

In Support of the Public Safety Wireless Network (PSWN) Program  
Under Contract GS00T969HD0002  
Statement of Work # 7

December 17, 1997

## **FOREWORD**

This report provides a framework for understanding the various funding mechanisms that may be of use to the public safety agencies as they endeavor to finance radio communications projects. The report provides a sketch of the funding landscape and is intended to serve as a catalyst for future discussions regarding funding issues.

To make comments regarding the information contained in this document, please contact Chris Sigman, Booz-Allen & Hamilton, at 8283 Greensboro Drive, McLean, Virginia, 22102-3838, or by faxing comments to (703) 902-3465.

## EXECUTIVE SUMMARY

Law makers, policy makers, budget and management officers, and users of public safety land mobile radio systems are working independently and together to develop strategies for improving the interoperability, effectiveness, and efficiency of public safety communications. Successful implementation of these strategies will require adequate and consistent sources of funding. Many types of government revenue sources and funding mechanisms are available to and in use by, the public safety community today. However, very few resources are dedicated specifically to land mobile radio communications. Documenting and examining current government revenue resources and funding mechanisms in use by public safety for radio communications, similar communities, and other infrastructure projects should assist the public safety community in tailoring combinations of funding mechanisms suited to federal, state, and local needs.

This report describes government revenue resources and funding mechanisms used in financing public safety and their radio communications projects. The revenue resources and funding mechanisms are categorized by level beginning with the Federal Government, continuing through the state and local levels of government, and finishing with public and private partnerships. Each governmental revenue resource and funding mechanism described is defined and profiled, and some examples of mechanisms in use are provided.

The funding process often begins at the federal level with money directed out of the general revenue fund and either appropriated to federal departments, other governmental entities, agencies, or specific projects, or directly allocated to specific goals via special funds. Federal funding mechanisms are usually tied to a Federal Government or agency guideline or objective and are in forms that include federal budget appropriations, grants, cooperative agreements, and contracts. Most public safety agencies receive federal dollars, either from direct or indirect channels.

Funding administered at the state level is used to fund infrastructure needs of statewide agencies, state objectives and priorities, and local governments. State funds can target public safety needs and offer more flexibility than federal funding. Relevant state funds include special public safety grants or technology and infrastructure funds. Some states have enacted legislation that allows public safety agencies to collect money directly from surcharges such as traffic violations.

Localities receive federal and state funding and also generate revenue unique to their jurisdictions. General revenue funds of the local government's budget and bonds issued for public safety use, surcharges, and fees for service are the primary government funding sources. Funding mechanism options include capital improvement plans and county investment funds among others. The Federal Government and state governments play a role in these processes via guidelines and regulations such as those imposed on federal grants given to localities, and state government limits of local surcharge funding schemes.

The need for more efficient use of spectrum resources and limited governmental budgets is pushing public safety agencies and local governments toward greater cooperation within the public

safety community. Other forms of cooperation occur between public and private partnerships. These partnerships are exemplified by public safety agencies working with utility companies, agencies turning to commercial service provision where applicable, the encouragement of private investment, and public safety tapping into privately run foundations and endowments for seed money to initially finance innovative projects.

Some alternative funding mechanisms also are noteworthy. These alternatives include specialized funds, surcharges, fees, foundation money, public and private partnerships, analogous sources targeted for other programs, and the sharing of resources within the community. Alternative sources are becoming more widely sought for new public safety needs. By the authority of the Federal Government, states are now widely imposing fees such as 911 and E911 fees that provide money to finance public safety infrastructure. These funds are either administered by the state or, in some cases, by the local municipalities.

At all levels of government, funding for public safety commonly comes from general revenue funds. However, this money is not specifically earmarked for public safety and therefore is not a stable and dependable source for radio communications. Moreover, additional specialized federal and state money sources available to law enforcement needs are not available to the fire and emergency medical services (EMS) side of public safety.

In answer to these funding limitations, this report was created as the first of several documents that will be prepared by the Public Safety Wireless Network (PSWN) program addressing funding for public safety communications. These documents are intended to stimulate an ongoing funding dialogue. By sharing experiences, participants in this dialogue may find creative ways to fund and provide for this critical communications capability. Therefore, insight into additional revenue sources and funding mechanisms are welcomed from the readers of this report.

## ACKNOWLEDGEMENTS

The PSWN Program Management Office thanks the following individuals who contributed information, thoughts, and ideas to this report: Scott Aker, Budget Analyst, Wisconsin State Budget Office; Greg Brown, California Highway Patrol Program Management; Katie Burke, Communications Superintendent for the Tucson Information Services Bureau; Craig Burlingame, Commonwealth of Massachusetts, Department of Public Safety, Criminal History Systems Board Executive Director; Mike Coleman, Douglas County Lieutenant Sheriff; Marty Corry, Corry Associates; Dana Curry, California Legislative Analyst's Office; Bradley DeBraska, President, Milwaukee Police Association; Leslie Doak, Budget Director for the Nevada Office of Budget and Management; Eric Dutton, City of Folsom, CA Fire Department; Barbara Edwards, Arlington County Management and Finance; Dennis Ellwell, Department of General Services Telecommunications Division; John Enman, State of Colorado Department of Criminal Justice; Fabian Favila, California Department of Finance; Roger Grable, Assistant Director of Administration for the Nevada Department of Transportation; Dave Hewitt, Director, Bureau of Communications, Division of Wisconsin State Patrol; David Kennedy, Commonwealth of Massachusetts, Executive Office of Public Safety; Ted Lightle, Director of the Office of Information Resources, Columbia, SC; Doug Norway, Office of Management and Budget, Division of Budget Analysis, Fiscal Economist; Mike Perez, DoJ Justice Management Division, Asset Forfeiture Management Staff; Steven Procter, State of Utah, Utah Telecommunications Division Manager of Technical Services; Hannon Reilly, Commonwealth of Massachusetts, State House, Transportation Committee Legislative Analyst; Becky Smith, Department of Justice COPS Office; Steve Souder, Arlington County ECC Director; Jeff Vogel, Maryland Administrative Office of Courts; and Mary Beth Woods, New York State Capitol, Division of the Budget, Associate Budget Examiner.

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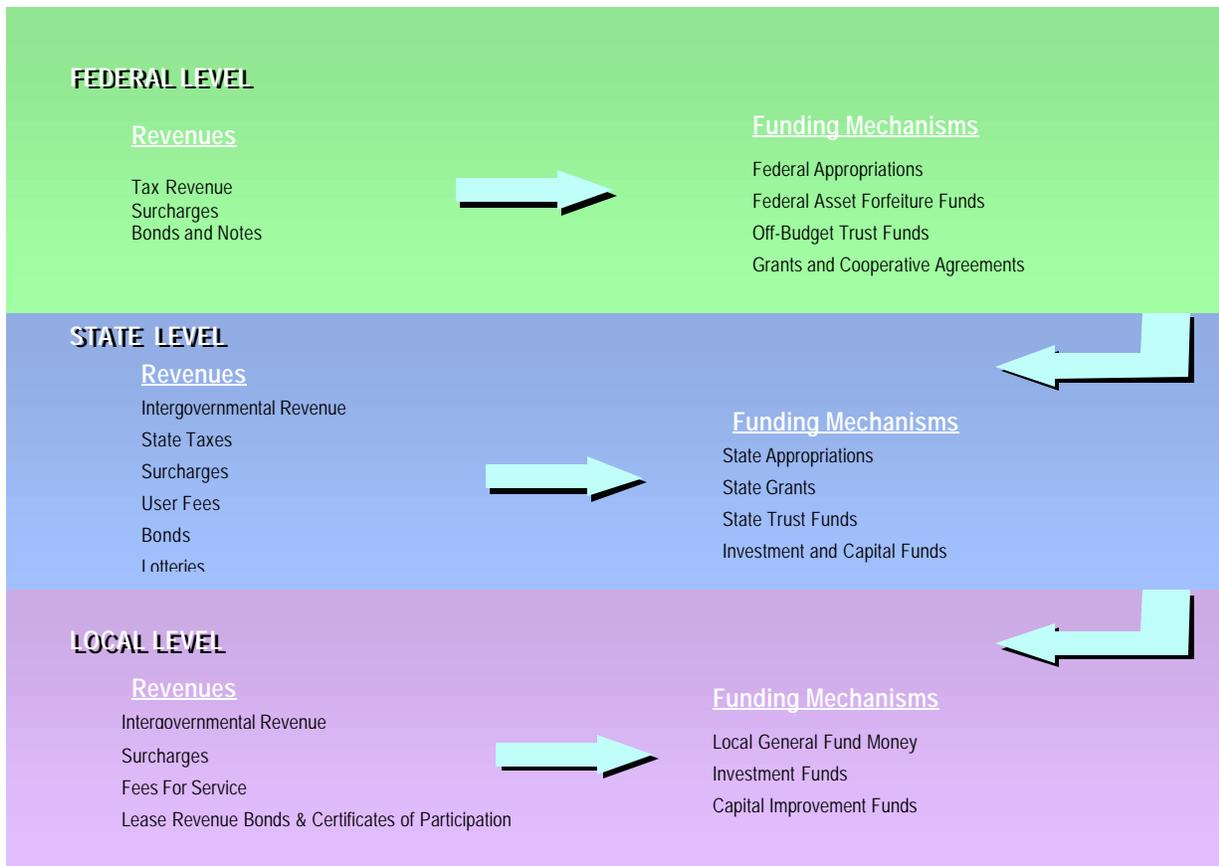
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# 1. INTRODUCTION

The development, deployment, operation, and maintenance of public safety radio communications systems are increasingly an expensive proposition. Public safety agencies at all levels of government—federal, state, and local—are hard pressed to identify government revenue sources that lead directly to public safety funding. From these available revenue sources, identifying feasible funding mechanisms that will funnel money to public safety needs and enable public safety services to keep pace with technological developments and operational needs is even more difficult. Government funding is limited and constrained, and the sources for funding are in competitive demand. Those public safety agencies most likely to be successful in securing necessary funding for their radio systems, will be those who are aware of the majority of viable funding options and who are able to tap into the system to identify and exploit appropriate government revenue resources and funding mechanisms.

## 1.1 Purpose

This report identifies revenue sources and funding mechanisms that may be appropriate for public safety agencies to finance radio communications needs such as upgrades and maintenance of their land mobile radio communications systems. This report provides an account of prevalent revenue sources and a presentation of an array of funding mechanisms that are available at different levels of government. Figure 1-1 illustrates a few of the revenue sources and mechanisms considered. These sources are commonly used to fund public safety radio communications systems and other like infrastructure projects. Examples that illustrate specific revenues and mechanisms are provided throughout this report.



**Figure 1-1**  
**Funding Sources at Different Levels of Government**

## 1.2 Background

Public safety communications systems age, missions and operations change and expand, and technology advances. The development of new spectrum-based technologies by the commercial sector has created a highly competitive market for available radio spectrum. Consequently, regulatory agencies are now requiring that users strive for greater spectral efficiency to allow for the best use of this limited resource. Due to the difficulty in obtaining additional radio spectrum, public agencies are more frequently using joint and interoperable systems. As the new commercial services generate large profits and encourage the government to demand more in return for spectrum assignment, public safety's technical advancement and critical information requirements are often overlooked and under funded. Public safety agencies often find themselves pressured to make high-cost efficiency enhancement upgrades to radio communications systems. However, with monetary resources at all levels of government strained, the availability of funding quickly becomes a gating issue for making the requisite improvements. Within these tight fiscal constraints, public safety agencies need funding not only for new and additional antennas, wiring, towers, and other network infrastructure, but also for end-user equipment, such as portable radios, mobile data terminals, and end-user directed services such as training.

This report describes an array of governmental revenue resources and funding mechanisms that public safety agencies may consider using as they work to meet their funding challenges. Public safety agencies at all levels can use this report to help fashion a funding strategy that can meet the common needs of each user community.

### **1.3 Scope**

This report identifies and details government revenue resources and funding mechanisms at various levels of government and highlights joint public and private funding partnerships. Figure 1-2 summarizes these mechanisms. The levels of funding examined in this report are federal, state, local, and public and private partnerships where —

- Federal revenue sources include tax revenues (e.g., property, individual income, corporate income, sales and gross receipts, motor vehicle and operators' licenses, and death and gift taxes), user fees, and bonds and notes. These general fund revenues are used to create federal funding mechanisms, such as direct appropriations, the federal asset forfeiture funds, federal off-budget funds, grants, cooperative agreements, and contracts.
- State revenue sources include revenue from the Federal Government and local governments, federal grant money, sales and gross receipts taxes, income taxes, personal property taxes, corporate income taxes, user fees, surcharges, bonds, notes, and lotteries. State funding mechanisms are in the form of state appropriations, grants, trust funds, and state technology, infrastructure, and capital funds.
- Local revenue sources are federal and state money, taxes, surcharges, fees for service, and lease-purchase financing bonds and certificates of participation. Local funding mechanisms include general fund money, county investment funds and lease capital improvement plans.
- Public and private partnerships include shared resources, foundations, endowments, economic development authorities, direct solicitation, fund-raising, corporate donations, private foundations, reduced and shared costs, users and customers, and incentives for private investment.

For a comprehensive list of governmental revenue sources, refer to Appendix B.

## Funding Sources for Public Safety Communications

	Revenue Source/ Funding Mechanism	Policy Control	Administrator	Recipient
Federal Revenues	Tax Revenues (e.g., income taxes, social insurance, including old-age, survivors, disability, health insurance, unemployment, and corporate income taxes)	Federal	Federal/State/Local	
Federal Funding Mechanisms	Federal Budget Appropriations	Federal	Federal/State/Local	
	Federal Asset Forfeiture Funds	Federal	Federal/State/Local	
	Federal Off-Budget Funds	Federal	Federal	
	Federal Grants, Cooperative Federal Agreements & Contracts	Federal	State/Local	
State Revenues	Tax Revenues (e.g., sales and gross receipts taxes, income taxes, personal property taxes, and corporate income taxes)	State	State	
	State User Fees	State	State	
	State Bonds	State	State	
	State Lotteries	State	State	
State Funding Mechanisms	State Budget Appropriations	State	State	
	State Grants	State	State/Local	
	State Trust Funds	State	State	
	State Technology, Infrastructure, and Capital Funds	State	State	
Local Revenues	Taxes (varies among counties)	Local	Local	
	Surcharges	Local	Local	
	Fee for Service	Local	Local	
	Capital Improvement Plan	Local	Local	
Local Funding Mechanisms	Local Investment Funds	Local	Local	
	Lease-Purchase Financing Bonds and Certificates of Participation	Local/Local Public Safety	Local	
Private/Public Partnerships	Foundations	Private	Private	
	Endowments	Private	Private	
	Economic Development Authority	State/Local	State/Local	
	Direct Solicitation	Local Public Safety	Private	
	Fund Raising	Local Public Safety	Private	
	Corporate Donations	Private	Private	
	Reduced and Shared Costs	Local	Local	
	Incentives for Private Investment	State/Local	State/Local/Private	

**Legend:** Federal State Local Local Public Safety

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**Figure 1-2**  
**Funding Revenues and Mechanisms Summary**

## 1.4 Organization

This report is composed of seven sections, including this introduction. The remaining sections are organized as follows:

- Section 2 presents the methodology used to gather data presented in this report.
- Section 3 discusses federal revenues and funding mechanisms.
- Section 4 discusses state revenues and funding mechanisms.
- Section 5 discusses local revenues and funding mechanisms.
- Section 6 discusses public and private partnerships.
- Section 7 provides a brief summary.

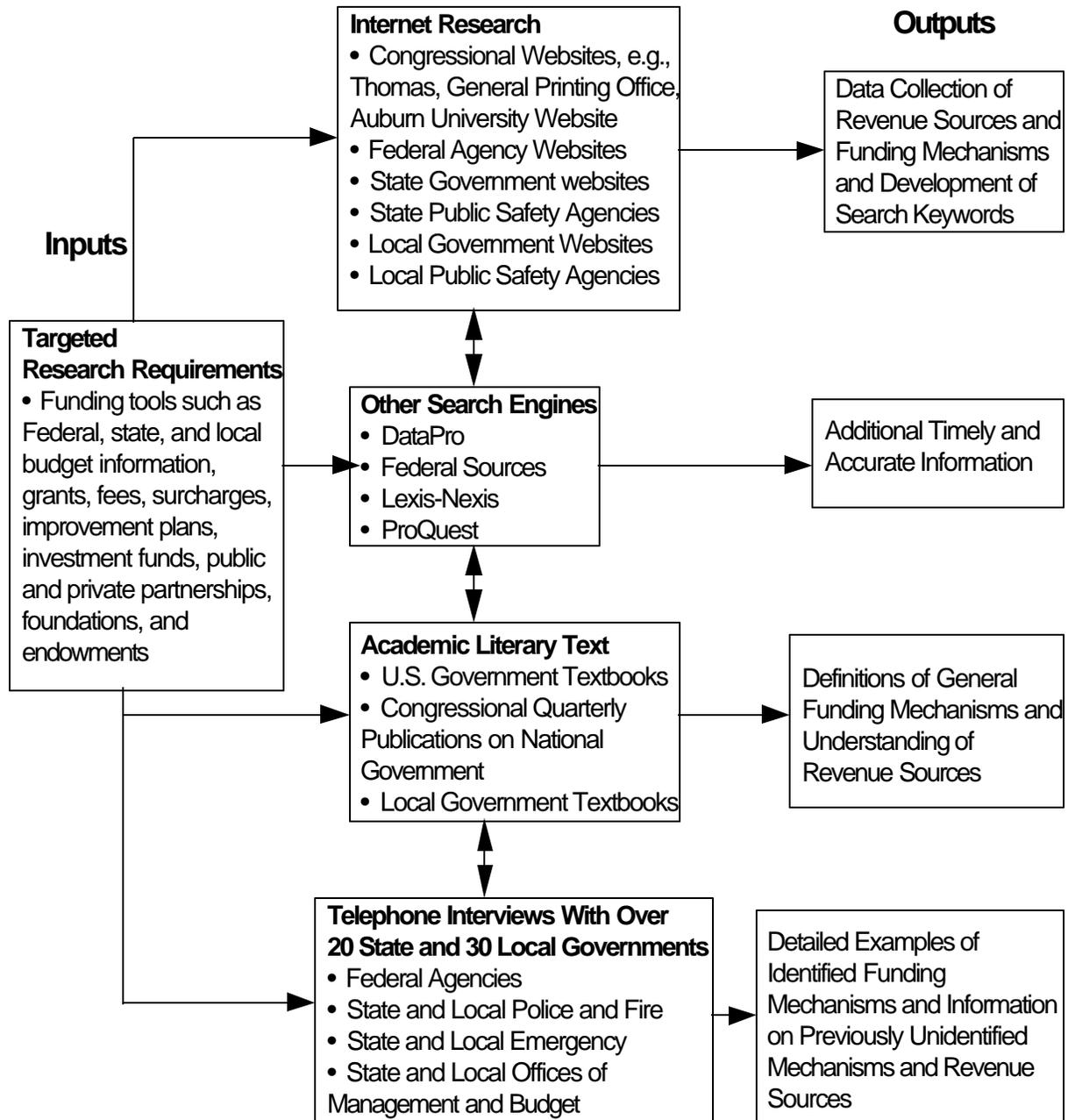
## 2. METHODOLOGY

The methodology employed to develop this report began with a data gathering process that involved researching Federal, state, and local government revenue sources, appropriations processes, budget processes, public safety agencies, grant mechanisms, and other general funding information, largely through scanning government websites on the Internet. Information gathered through Internet research provided both a general framework and specific data on federal and state appropriations, grants, fees, surcharges, and related public safety legislation. Each identified revenue source and funding mechanism was categorized as a federal, state, local, or public and private partnership revenue source or mechanism, depending on where the funding originated and how and where it was used.

Information was refined and augmented through additional data and research using DataPro, ProQuest, Lexis-Nexis, and Federal Sources. The use of various computer-based search engines led to an enhanced framework for categorizing revenue sources and funding mechanisms as federal, state, local, or public and private.

Academic and professional literature also were used to attain specific information (e.g., obtaining formal definitions for certain revenue sources and funding mechanisms) on identified revenue and funding mechanisms. Reference materials included information on the federal budget process and local tax and fee schemes.

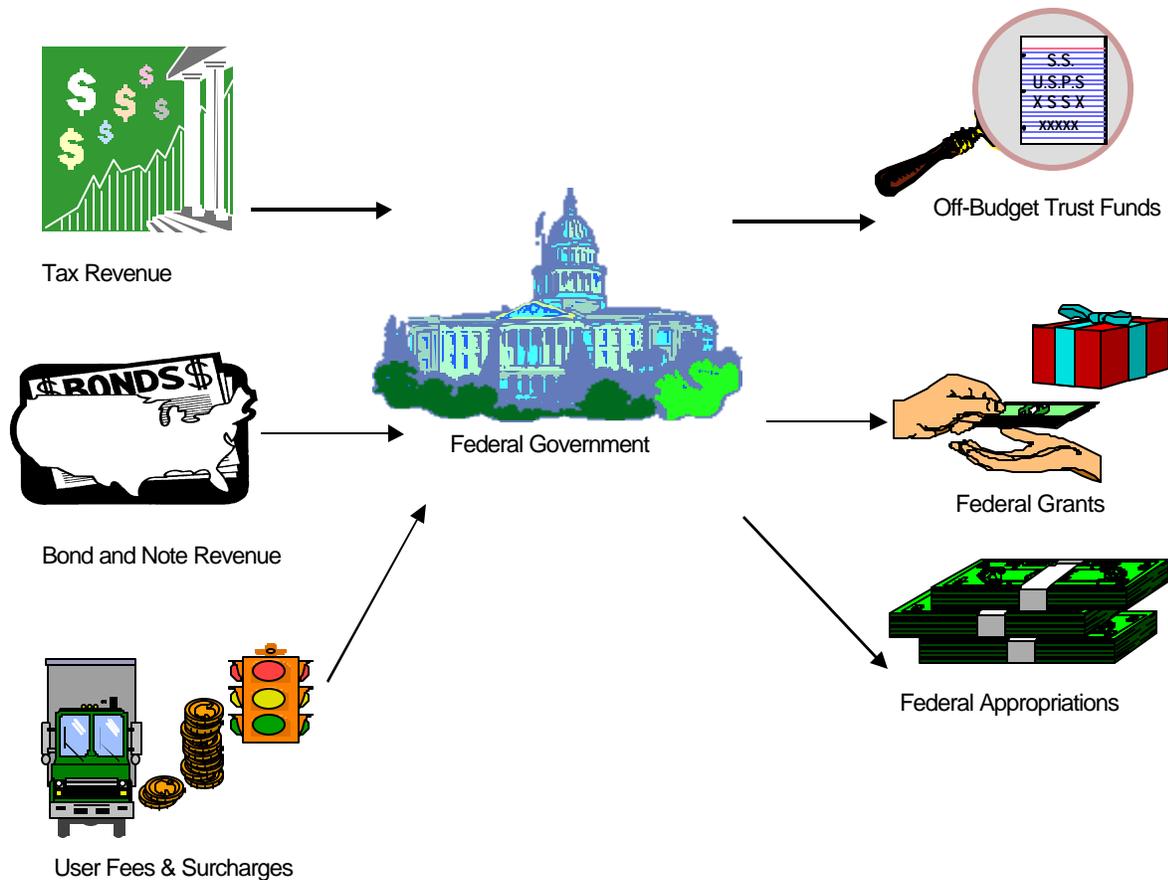
Telephone and personal interviews were crucial tools in obtaining detailed examples of researched revenue sources and known funding mechanisms. The interviews also provided information on previously unidentified funding mechanisms. More than 10 states and more than 30 local governments were contacted. The funding administrators for the finance, grants, and budget offices of states and localities were ideal sources of revenue and mechanism information. Additionally, users of the equipment and services, such as the public safety police, fire, and emergency medical services management offices, provided further insight into the most commonly used methods and innovative approaches for filling funding gaps and to getting fledgling initiatives off the planning table. Telephone interviews often necessitated a return to the research process to find corresponding state and local legislation and budget information. Figure 2-1 illustrates the aforementioned processes.



**Figure 2-1  
Research Methodology**

### 3. FEDERAL FUNDING SOURCES

This section presents information regarding federal revenue resources and funding mechanisms of potential interest to state and local public safety agencies. The Federal Government's revenue resources are derived mainly from federal taxes, user fees, and bonds and notes held by the Federal Reserve System. Programs that fulfill nationwide Federal Government guidelines and requirements have access to federal revenue, via the Federal budget, usually through direct, legislatively authorized appropriations. However, many federally endorsed objectives also are funded through other budget mechanisms, such as grants and cooperative agreements that may require successful completion of a competitive process sponsored by a specific federal agency. Although this section is not a comprehensive treatment of revenues and mechanisms, it does include those most frequently used by public safety providers. For additional information on the federal budget process and on some of the federal funding mechanisms refer to the federal budget section in Appendix B.



**Figure 3-1**  
**Federal Funding Sources**

#### 3.1 Federal Tax Revenues

The Federal Government furnishes its general fund primarily with tax and bond and note revenues. The predominant taxes are on property, individual income, corporate income, sales and gross receipts and excise taxes (e.g., customs duties, motor fuel, alcoholic beverage and tobacco i.e., sin

taxes, ozone depletion, and taxes on public utilities), motor vehicle and operators' licenses fees, and death and gift charges. Federal taxes usually go into the federal general fund, however, certain taxes, such as taxes on motor fuel, are funneled into trust funds that set aside revenues for particular purposes or programs, such as the Highway Trust Fund.

### **3.2 Federal User Fees**

The Federal Government also generates revenues by imposing user fees on benefits and actions that incur costs for society. There are four types of user fees:<sup>1</sup>

- A fee is levied on individuals and businesses for goods and services provided by the government and obtained voluntarily. Such fees are imposed on highway, waterway, federal lands or facilities, postal, deposit, and Medicare uses.
- Regulatory fees are levied on businesses or activities that are subject to regulation. For example, copyright, patents, and licenses require a user fee.
- Benefit-based user fees are imposed on consumers of federally provided goods and services, such as highway and waterway tolls, tires, and trucks.
- Liability-based fees are collected from activities to compensate for damage to the environment and other interests. Liability-based fees resemble taxes and are dedicated to trust funds established to eliminate the damage or to compensate for injury. For example, fees are imposed on coal mining to compensate miners suffering from black lung disease and on crude oil to finance the cleanup of oil spills.

Federal law requires that user fees should be fair and equitable and should account for the public policy or interest served.

### **3.3 Federal Funding Mechanisms**

Federal funding mechanisms transfer federal revenues to the states and to federal and state agencies and departments. Federal mechanisms forward national interests and help advance national policy goals for the citizenry. These mechanisms also help to meet otherwise unfulfilled needs.

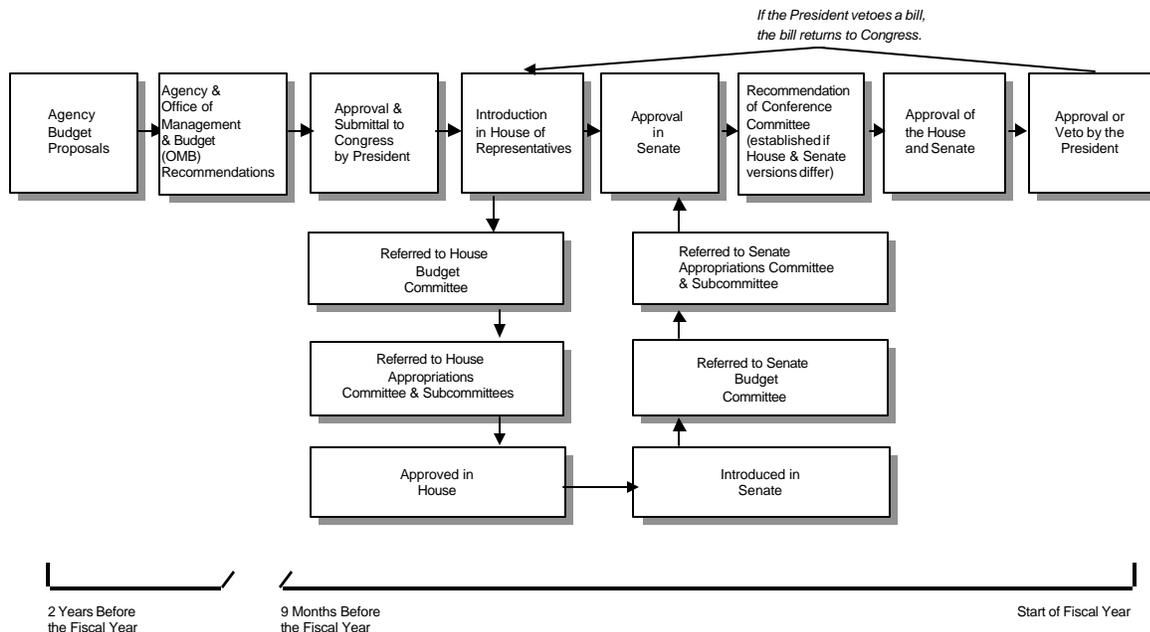
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<sup>1</sup> Allen Schick, *The Federal Budget: Politics, Policy, Process*, Washington, D.C: The Brookings Institution, 1995.

### 3.3.1 Federal Budget Appropriations

Federal appropriations<sup>2,3,4</sup> are significant sources of potential funding. A federal budget appropriation is a sum of money allocated from the federal budget to fund a congressionally authorized project. Appropriated funds are used to advance a broad range of nationally endorsed government programs. Federal Government direct appropriations can be a source of funding for public safety communications needs.

If funding is to be provided through the federal budget appropriations process, contact with the executive branch must commence at least 1 year before the time that the appropriated money is needed. This is because the executive branch develops its budget 2 years before the related fiscal year begins. Figure 3-2 illustrates the 2 year budget cycle.



**Figure 3-2**  
**The Federal Budget Process**

<sup>2</sup> John L. Mikesell, *Fiscal Administration: Analysis and Applications for the Public Sector*, 4th edition, New York: Harcourt Brace Publishers, 1995.

<sup>3</sup> Roger H. Davidson and Walter J. Oleszek, *Congress and Its Members*, 3rd edition, Washington, DC: Congressional Quarterly, Inc., 1990.

<sup>4</sup> Office of Management and Budget (OMB), *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1998*, Washington, DC: OMB 1997. Office of Management and Budget Homepage, #<http://frwebgate2.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocIS=158789+1+0+0&WAILaction+retrieve>.

**3.3.1.1 Obtaining Federal Appropriations.** To obtain appropriations from the federal budget, an advocate such as an executive branch official requests that a program be authorized for creation or continuation. The requirements for the program or action are introduced in an authorizing piece of legislation. After the authorization request has been championed for inclusion in a bill, or becomes a bill of its own, the bill is then lobbied for and against by local citizen groups, industry, state and local governments, and other interest groups. Should the authorization language be adopted and passed as its own bill or in another bill, the measure would then need to have funds designated for the action or program via an appropriations bill, which is also the subject of lobbying efforts.

**3.3.1.2 Federal Grants and Cooperative Agreements.**<sup>5</sup> Grants and cooperative agreements shift spending authority from one level of government to another. Grants and cooperative agreements receive their revenue from their departments appropriated budget money, which is received from the federal general revenue pool. The Federal Government issues a grant or cooperative agreement with a state or local government to fulfill a federal objective in partnership with the state or local government. The Office of Management and Budget (OMB) assists the Federal Government with establishing consistency and uniformity among federal agencies in the management of grants and cooperative agreements with state, local, and federally recognized Indian tribal governments. Generally, grants are suitable when less federal oversight of a project is in order, while cooperative agreements are used when “substantial involvement is expected between the executive agency and the state, local government, or other recipient when carrying out the activity contemplated in the agreement.”

Two types of grants, categorical and block, are available. Categorical grants provide assistance for specific and narrowly defined purposes, usually limited to spending for certain activities. Block grants are usually distributed according to a statutory formula to finance activities in a broad area. The Safe Street Grant, for example, is a block grant that established a broad assistance program for crime prevention and the administration of justice. Descriptions of specific types of grant programs follow.

**Community Oriented Policing Services More (COPS MORE) Grant.**<sup>6-7-8</sup> The COPS MORE Grant is a component of the COPS Grant that resulted from the 1994 Anti-Crime Law. The 1994 Anti-Crime Law was designed to increase the deployment of law enforcement officers devoted to community policing nationwide. COPS’ grants provide funding to cities and towns for hiring additional law enforcement officers. COPS MORE grants provide supplemental funding to purchase equipment and technology, to procure support resources, and to pay overtime.

These grants are given to accommodate up to 75 percent of the cost of the equipment, technology, civilian salaries, or overtime for 1 year. However, agencies receiving grants are required to

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<sup>5</sup> OMB, *Grants and Cooperative Agreements With State and Local Governments*, Washington, DC: 1997. URL: <http://www.whitehouse.gov/WH/EOP/OMB/html/circular.html>.

<sup>6</sup> DoJ, Office of Justice Programs, Bureau of Justice Assistance, COPS Universal Hiring Grant, Washington, DC: DoJ 1996.

<sup>7</sup> Janet Quist, “Senate Funds Local Law Enforcement Block Grant,” *Nation’s Cities Weekly* August, 4, 1997.

<sup>8</sup> Becky Smith, Department of Justice COPS Office, telephone interview with Haynee Kang, August 8, 1997.

provide a minimum local dollar match of 15 percent. Waivers of the local match requirement are given only in cases of extreme fiscal hardship. Some innovative sources for meeting the local match requirement are: asset forfeiture funds, housing and community development funds, state funds, private funds, and Bureau of Indian Affairs funds. COPS Grant advisors are in each state with separate advisors for New York City, Los Angeles, and Chicago.

The House Commerce, Justice, and State Departments Appropriations Committee approved \$1.4 billion to continue the COPS Grant in FY98. However, in some areas, such as Washington, DC, the COPS MORE Grant has been incorporated into the Local Law Enforcement Block Grant, which is described later in this section.

**Edward Byrne Memorial State and Local Law Enforcement Assistance.**<sup>9</sup> The Edward Byrne Memorial State and Local Law Enforcement Assistance Program was created under the Anti-Drug Abuse Act of 1988 to provide funds to assist states and local governments in conducting programs that offered a high probability of improving the functioning of the criminal justice system and of enhancing drug control efforts at the state and local levels. The Byrne program emphasizes nationwide and multi-jurisdictional projects and programs that address the drug problem and advance national drug control priorities.

The Byrne Grant must address one of the following five areas: community-based programs, which include community policing, community mobilization, and comprehensive approaches to assisting communities; crime and violence prevention, especially efforts that are interdisciplinary and interagency; violence reduction programs that target violent offenders, criminal gangs, firearms trafficking, domestic violence, and other crimes of violence against women for aggressive investigation and prosecution; alternative dispositional approaches, including drug courts, innovative intermediate sanctions, drug treatment for incarcerated offenders, elimination of certain mandatory sentences for first-time offenders, and appropriate sentences for repeat and violent offenders; and intergovernmental coordination initiatives related to the coordination with federal law enforcement and U.S. Attorneys' initiatives against drugs and violent crime.

Grants may provide personnel, equipment, training, technical assistance, and information systems for more widespread apprehension, prosecution, adjudication, detention, and rehabilitation. Grants also may be used for multi-jurisdictional task force programs that integrate federal, state, and local drug law enforcement agencies and prosecutors for the purpose of enhancing interagency coordination and intelligence and facilitating multi-jurisdictional investigations.

Each state receives a base amount of 0.15 percent of the total formula allocation, with the remaining funds allocated based on each state's relative share of the total population. The chief

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<sup>9</sup> DoJ, Office of Justice Programs, Bureau of Justice Assistance, *Bureau of Justice Assistance Fact Sheet: Edward Byrne Memorial State and Local Law Enforcement Assistance*, Washington, DC: DoJ 1997.

executive of each state has a designated state office to administer and coordinate the distribution of funds. The requirements and designated uses of grants from the Byrne program include the following:<sup>10</sup>

- **Administrative Funds** A maximum of 10 percent of the formula grant funds allocated to a state may be used to pay for costs incurred in administering the Formula Grant Program.
- **Matching Requirements** At least 15 percent of the cost of a program or project funded must be paid by nonfederal funds, which shall be in cash.
- **Pass-Through** Local units of government shall receive a share of the state's funds proportional to the local unit's expenditures relative to the expenditures.
- **Period of Project Support** Projects will be funded for a maximum of 4 aggregate years. The exception is grants awarded to state and local governments to participate in multi-jurisdictional drug task forces, victim assistance programs, and multi-jurisdictional gang task forces.
- **Construction** Grant funds may be used only to construct penal and correctional institutions. Property may not be acquired with grant funds.
- **Statewide Strategy** Each state is required to develop a statewide strategy to improve the functioning of the criminal justice system, with an emphasis on drug trafficking, violent crime, and serious offenders.

**Federal Emergency Management Agency Grants.** The Federal Emergency Management Agency (FEMA) is an independent government agency that reports to the President. Its central mission is to "reduce the loss of life and property and to protect our nation's infrastructure from all types of hazards through a comprehensive, risk-based, emergency management program of mitigation, preparedness, response and recovery." FEMA provides grants, specialized services, and advisory and counseling services to assist state and local agencies in developing a network of statewide emergency management systems. These systems provide the capacity for state and local government to coordinate emergency operations within the state and in coordination with other states and the Federal Government.

FEMA grants can be used for planning, design, construction, maintenance, and replacement costs for facilities and equipment used for emergency management purposes, including emergency operating centers, emergency communications systems, emergency warning systems, and emergency features for the Emergency Broadcast System (EBS) at designated radio stations. Funds may not be used for capabilities facilitating daily activities. State governments are eligible for funding. Local

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<sup>10</sup> Allen Schick, *The Federal Budget Politics, Policy, Process*. Washington: Brookings Institution, 1995.

governments must apply for funding through the state government. FEMA grants require a 50 percent state or local match of funds. According to the 1998 Budget, FEMA was appropriated \$116 million in 1996, \$131 million in 1997, and \$118 million in 1998 from the Federal budget for FEMA grants.

**Local Law Enforcement Block Grants.**<sup>11,12,13</sup> The Senate appropriated nearly \$500 million for the implementation of the Local Law Enforcement Block Grant (LLEBG) program to be administered by the Bureau of Justice Assistance (BJA) in Fiscal Year (FY) 1998. The BJA is expecting comparable funding for FY99. The LLEBG provides funding for local government to sustain current and future projects needed to reduce crime and improve public safety.

The LLEBG program funds must be used for one or more of the following six purpose areas:

- Providing law enforcement support for hiring, training, employing new law enforcement officers, and paying overtime to law enforcement officers
- Procuring equipment technology and other material directly related to basic law enforcement functions
- Enhancing security measures in and surrounding schools
- Establishing or supporting drug courts
- Establishing crime prevention programs involving cooperation between community residents and law enforcement personnel to control, detect, or investigate crime or to prosecute criminals
- Defraying the cost of indemnification insurance for law enforcement officers.

LLEBG funds cannot be used to purchase, lease, rent, or acquire any vehicle not used primarily for law enforcement to retain consultants, to construct new facilities, or to supplant state or local funds. LLEBG funds must increase the amount of funds that would be available through state and local sources. LLEBG funds cannot exceed 90 percent of the total program costs and participation requires a cash match that cannot be waived. LLEBG funds are a flexible way to address a broad range of public safety concerns. Additionally, with this program local leaders are able to prioritize their local public safety needs based on a broad list of allowable uses.

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<sup>11</sup> DoJ, Office of Justice Programs, Bureau of Justice Assistance, *Bureau of Justice Assistance Fact Sheet: FY 1997 Local Law Enforcement Block Grants Program*, Washington, DC: 1997.

<sup>12</sup> Ibid.

<sup>13</sup> Janet Quist, "Cities Need to Know How to Apply for Law Enforcement Block Grant Funds," *Nation's Cities Weekly* May 27, 1997: vol. 19.

The Director of BJA sets aside funds for local entities within a state. The size of the grant is proportionate to the state's average annual number of violent crimes compared with the number for all states for the three most recent calendar years of Federal Bureau of Investigation (FBI) data. Each state receives the minimum award of 0.15 percent of the total amount available for formula distribution under the LLEBG program. Awards to local government are proportionate to each local jurisdiction's average annual number of violent crimes to the number for all local jurisdictions in the state for the three most recent calendar years. The BJA directly awards to local governments when the award amount is at least \$10,000. Each state receives the remainder of its allocation for local applicants whose award amounts are at least \$10,000. The BJA will make one aggregate award directly to the state for these items. The state, in turn, distributes these funds to state police departments that provide law enforcement services to local governments or to local governments that receive less than \$10,000. All funds must be used to reduce crime and improve public safety.

Each LLEBG recipient must establish a trust fund for the program funds to accrue interest. All federal funds that are not used within 1 year of the initial award date must be returned within 90 days of project termination.

**National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce Grants.**<sup>14 15</sup> The Department of Commerce (DoC) provides money to state agencies and other parties to promote scientific and technical research through grant programs. The NTIA, as an agency of the DoC, provides grants for telecommunications research activities related directly to the development of a national information infrastructure. These funds may be used for planning and constructing telecommunications networks dedicated to the provision of education, culture, health, public information, public safety, and other social services. For example, NTIA issued \$16 million in 1996, \$19 million in 1997, and \$33 million in 1998 in NTIA grants.<sup>16</sup>

An example of an NTIA grant is the Telecommunications and Information Infrastructure Assistance Program (TIIAP). Funding under the TIIAP is awarded to support projects that improve the quality and promote responsiveness of public safety and foster communications within communities, both urban and rural. TIIAP will not fund one-way networks, single organization projects, content development projects, hardware or software development, training projects, or construction. State and local governments, nonprofit health care and public health providers, school districts, libraries, universities and colleges, public safety services, community-based organizations and other nonprofit entities are eligible. TIIAP will provide up to 50 percent of the total project costs unless extraordinary circumstances warrant a grant of up to 75 percent, and the grantee must match the grant with a cash contribution or with in-kind services. Awards usually range from \$5,000 to \$1.7 million. A project will

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<sup>14</sup> NTIA, *Telecommunications and Information Infrastructure Assistance Program (TIIAP)*, Washington, DC: 1997, NTIA Homepage, #<http://www.ntia.doc.gov/otiahome/tiiap/tiiapfact.htm>.

<sup>15</sup> Phillip English, "The Telecommunication and Information Infrastructure Assistance Program," presentation at APCO Conference, August 11, 1997.

<sup>16</sup> 46 U.S.C 391, 392.

not be considered eligible for a grant unless the applicant can demonstrate the capacity to supply matching funds and to sustain the project beyond the award period.

**State and Community Highway Safety Grants (Administered by the Department of Transportation).**<sup>17</sup> The Department of Transportation issues grants to provide a coordinated national highway safety program that aims to reduce traffic accidents, deaths, injuries, and property damage. Formula grant funds may be used for problems identified within the following nine national priority program areas of: alcohol and other drug countermeasures, police traffic services, occupant protection, traffic records, emergency medical services, motorcycle safety, pedestrian/bicycle safety, speed control and roadway safety, and pupil transportation safety. States, federally recognized Indian tribes, the District of Columbia, Puerto Rico, American Samoa, Guam, Northern Marianas, and the Virgin Islands are all eligible for these grants.

To apply, the state must submit a highway safety plan addressing state and community highway safety activities for the following year to the National Highway Traffic Safety Administration (NHTSA) regional offices and to the Federal Highway Administration (FHA) division offices. Formula and matching requirements include 75 percent apportioned on the total resident population; 15 percent apportioned against public road mileage in states; and the Federal share will not exceed 80 percent. The average assistance ranges from \$600,000 to \$9,400,000.

### **3.3.2 Federal Trust Funds**

Federal trust funds contain tax and user fee revenue that is earmarked for specific purposes or programs. Most of the more than 160 trust funds are small; however, the eight largest trust funds account for 97 percent of total trust fund revenue. Laws that designated them as trust funds also established social security, highways, airways, and other large trust funds. Many smaller trust funds were created pursuant to an agreement between a government agency and a donor. When a trust fund is created it does not become permanent, therefore, trust funds influence federal budgetary outcomes. The groups that rally to create a trust fund can easily monitor the budget to ensure the livelihood of the trust fund. In 1996, the federal budget supported the following major trust funds: airport and airway, federal employees retirement, federal old-age, survivors and disability insurance, foreign military sales, health insurance, transportation, federal employees health benefits, military retirement, unemployment, and veterans life.<sup>18</sup>

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<sup>17</sup> GSA, *State and Community Highway Safety*, Washington, DC: 1997, URL: #<http://gsacentral.gsa.gov/cgi-bin/waisgate?WAISSconnType=&WAIISdocID=1585228154+0+0+0&WAIISaction=retrieve>.

<sup>18</sup> Allen Schick, *The Federal Budget: Politics, Policy, Process*, Washington, D.C.: 1995, The Brookings Institution.

### 3.3.3 Federal Asset Forfeiture Funds<sup>19,20</sup>

Asset forfeiture programs have become an integral tool in fighting crime. They provide significant revenues to fund law enforcement efforts, resulting in increased effectiveness of law enforcement agencies. The Comprehensive Crime Control Act of 1984 modernized the system of asset forfeiture by creating a uniform program to manage revenue from forfeited currency and property. Today, two asset forfeiture funds exist at the federal level: the Department of Justice Asset Forfeiture Fund and the Department of the Treasury (TREAS) Forfeiture Fund.

Asset forfeiture funds are composed of administrative and judicial forfeitures that result from violations of federal law. The Comprehensive Crime Control Act authorizes the equitable sharing of federally forfeited proceeds with state and local law enforcement agencies that contributed to the investigation that led to the forfeiture. This stipulation has promoted cooperation among law enforcement agencies as they combat criminal activity. Similarly, the Federal Government's leading role in promoting law enforcement cooperation through asset sharing has served as a model for state, local, and foreign governments.

**The Department of Justice Assets Forfeiture Fund** was established in accordance with the provisions of Title 18 United States Code (U.S.C.) Section 514C. Six agencies are involved in the seizure of forfeited property under the Department of Justice Assets Forfeiture Fund: the Drug Enforcement Agency (DEA), the FBI, the Immigration and Naturalization Service (INS), the U.S. Postal Inspections Service (USPIS) of the U.S. Postal Service, the U.S. Park Police (USPP) of the Department of the Interior, and the Office of Criminal Investigations of the Food and Drug Administration (FDA).

The Executive Office of Asset Forfeiture, located within the Department of Justice (DoJ), manages the program. Since 1985, more than \$3.8 billion in forfeitures have been deposited into the Asset Forfeiture Fund, which is an account maintained within the U.S. Department of the Treasury. Forfeited proceeds in FY94 totaled \$549.9 million and were used to provide financial support to the law enforcement community.

The Attorney-General has the authority to share fund revenue with state, local, and foreign law enforcement agencies for their assistance in successful forfeiture cases. In FY94, \$134.6 million in forfeited cash and \$7.3 million in forfeited property were shared with state and local enforcement agencies. Table 3-1 shows the DoJ Asset Forfeiture Fund's expenses and distributions for FY94.

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<sup>19</sup> U.S. Department of the Treasury (TREAS), Executive Office for Asset Forfeiture, Office of the Under Secretary, Treasury Forfeiture Fund: Annual Report Fiscal Year 1995," Washington, DC: TREAS 1996.

<sup>20</sup> U.S. Department of Justice (DoJ), Asset Forfeiture Office Criminal Division and the Asset Forfeiture Management Staff Justice Management Division, *Annual Report of the Department of Justice Asset Forfeiture Program: Fiscal Year 1994*, Washington, DC: DOJ 1995.

As an example of localities benefiting from forfeiture funds, the police in Florida's West Palm Beach have used the money to purchase upgraded computer systems for the department and to augment the police budget for other expenditures.<sup>21,22</sup> San Diego received \$750,000 in FY97 and plans to receive the same amount in FY98. The State of New York is investigating the concept of using asset forfeiture funds to aid in the financing of a statewide police wireless radio system.<sup>23</sup>

**Table 3-1**  
**DoJ Asset Forfeiture Fund's Expenses and Distributions FY94 (in millions)**

Equitable Sharing	\$134.63
Federal Investigative and Program Expenses	\$131.19
Forfeiture Related Business Expenses	\$103.04
Transfers of Forfeited Property	\$11.74
Transfer to INS	\$1.75
<b>Total</b>	<b>\$493.45</b>

**The Department of the Treasury Forfeiture Fund** was established in accordance with the Treasury Forfeiture Act of 1991, Title 31 USC Section 9703. Members of the Treasury Forfeiture Fund include: the Internal Revenue Service (IRS), the United States Secret Service (USSS), the Bureau of Alcohol, Tobacco and Firearms (ATF), the U.S. Customs Service, and the U.S. Coast Guard (USCG).

The revenue sources for the fund include currency and monetary instruments; forfeited property; payments in lieu of forfeiture; and interest from special Treasury securities. Table 3-2 shows revenue and financing sources (in millions) for FY95.

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<sup>21</sup> TREAS. Executive Office for Asset Forfeiture, Office of the Under Secretary (Enforcement), *Treasury Forfeiture Fund: Annual Report Fiscal Year 1995*, Washington, DC: TREAS 1996.

<sup>22</sup> Mike Perez, DoJ Justice Management Division, Asset Forfeiture Management Staff, interview with Tim McEnery, September 3, 1997.

<sup>23</sup> Mary Beth Woods, New York State Capitol, Division of the Budget, Associate Budget Examiner, telephone interview with Tim McEnery, September 8, 1997.

**Table 3-2**  
**Revenue and Financing Sources FY95 (in millions)**

Forfeited Currency and Monetary Instruments	\$146
Forfeited Property	\$75
Other	\$17
Interest	\$7
Payments in Lieu of Forfeiture	\$7
<b>TOTAL</b>	<b>\$151</b>

The Treasury’s Executive Office for Asset Forfeiture administers the fund. Fund revenues are distributed to one of four different entities: state and local agencies, victim restitution, other federal agencies, and foreign countries. Table 3-3 details the allocation of revenue for FY95.

**Table 3-3**  
**Allocation of Revenue FY95 (in millions)**

State and Local Agencies	\$58
Victim Restitution	\$39
Other Federal Agencies	\$8
Foreign Countries	\$7
<b>TOTAL</b>	<b>\$111</b>

Examples of Treasury Fund revenue benefiting the public safety community—within the area of information technology—include the provision of funds for the ATF cease-fire technology, which is a sophisticated computerized system that inventories, identifies, and matches bullet projectiles and the acquisition of recent database enhancements at ATF’s National Firearms Tracing Center.

### 3.3.4 Federal Off-Budget Funds<sup>24,25,26</sup>

Since 1969, the unified budget concept has been used by the Federal Government as the foundation for its budgetary analysis and presentation. This concept, developed by the President’s Commission on Budget Concepts in 1967, requires the budget to include all Federal Government programs and the fiscal transactions of these programs. Most of the agencies abided by this new

<sup>24</sup> OMB, *Analytical Perspective, Budget of the United States Government*, Washington, DC: OMB 1997. GPO Homepage, #<http://frwebgate2.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=132844094+7+0+0&WAISaction=retrieve>.

<sup>25</sup> Doug Norwood, Office of Management and Budget, Division of Budget Analysis, Fiscal Economist, telephone interview with Tim McEnery, August 26, 1997.

<sup>26</sup> David Koitz, *Social Security’s Treatment Under the Federal Budget: A Summary*, CRS Report for Congress No. 95-206 EPW, Washington, DC 1995.

procedure. However, a few agencies preferred to maintain more control over their operations and deviated from the plan.

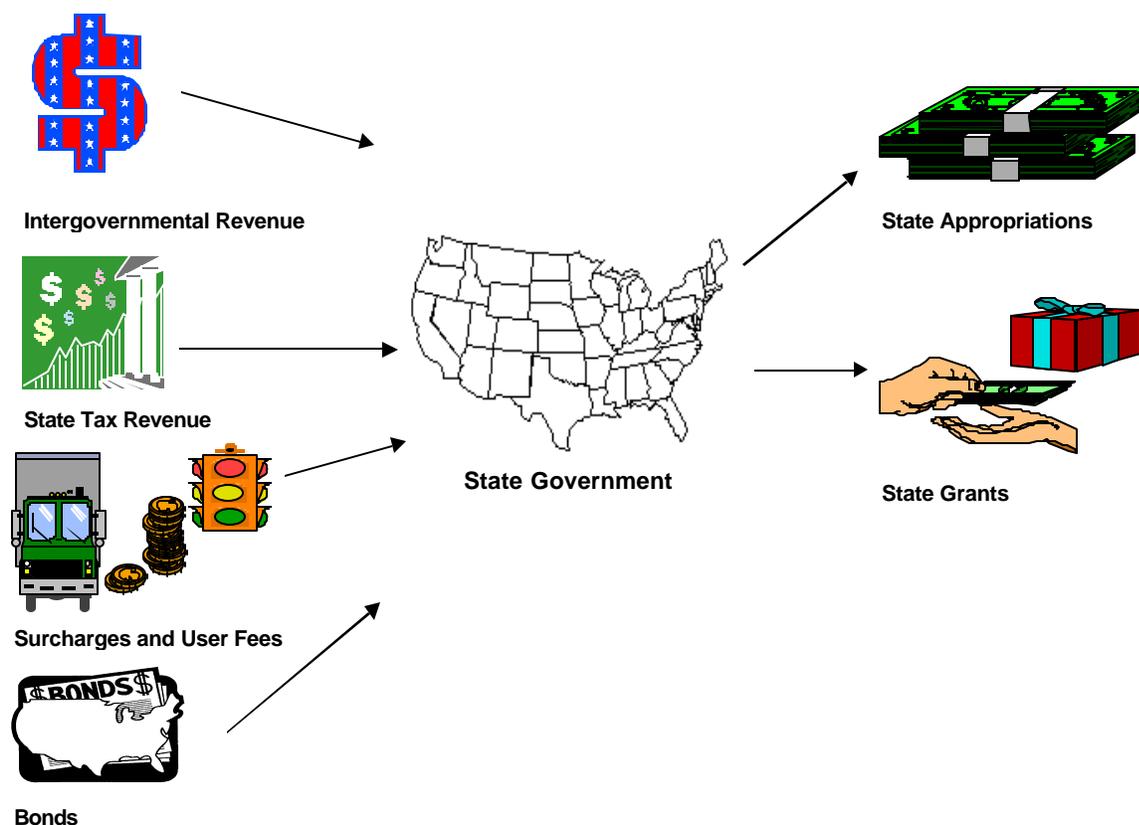
Therefore, in 1971, the practice of keeping certain federal program's, funds off-budget began. Off-budget funds are congressionally imposed taxes and payments, "withheld" from the federal budget's general revenue fund, used to pay for various services and specific projects.

Two entities with portions of their budgets in off-budget funds are the Social Security Administration and the United States Postal Service. Social Security, which was removed from the budget in 1985, has two social security trust funds that are off-budget: old-age and survivors insurance, and disability insurance. The Postal Service's fund was removed from the Federal General Revenue Fund in 1989.

## 4. STATE FUNDING SOURCES

Like the Federal Government, state governments support the development, deployment, and maintenance of public infrastructure projects, such as public safety radio communications, through a variety of funding mechanisms. Often, state funds complement those provided by the Federal Government.

State-collected revenues are used to fund the infrastructure needs of statewide agencies. They are also used to finance, in whole or in part, the infrastructure requirements of local governments. The options presented herein are not exhaustive but do provide a good overall picture of commonly used money sources.



**Figure 4- 1**  
**State Funding Sources**

Revenue sources for states include many of the same types as those collected at the federal level. In addition to taxes, such as state income and or personal property taxes, states also use targeted surcharges and user fees. State user fees can be collected from traffic infraction revenues, use of state

services, and lease fees for state–shared resources. Other sources include state bonds and state lotteries. Tax revenues, user fees, bonds, and lottery revenues are often directed for specific purposes through appropriations or grants. They also are often targeted to finance specific agencies, projects, and initiatives.

State funding mechanisms include direct appropriations, or allocations, from the state budget, state trust funds, and grants awarded as a result of an application or other qualifying process. Often, the grant money is a federal funding mechanism which, when funneled to the state level, becomes a targeted revenue source for states along with state budget allocations. In other cases, the grant money is originated from a state–run program and is therefore used as the funding mechanism to funnel the money to public safety needs.

Although states do not share all of the same revenue sources and funding mechanisms, the following information provides descriptions of revenue sources and funding mechanisms that are generally used in many of the states.

#### **4.1 State Government Revenue Sources**

In general, state governments receive nearly a quarter of their revenue from the Federal Government and their local governments; often the majority is from the Federal Government. In addition to federal and local government money, state governments may obtain revenue from sales and gross receipts taxes, income taxes, personal property taxes, corporate income taxes, user fees, surcharges, bonds, municipal notes, and lotteries. However, revenue derived from surcharges, fees, and from miscellaneous sources, such as state lotteries and interest on invested funds, often plays a smaller role in state government financing.

##### **4.1.1 State Tax Revenues**

Most funds at the state level come from general tax revenues collected by the state. Collectively, these revenues constitute the state’s general fund. A general fund is used to support budget plans, appropriations, and grants. Among the common forms of taxes contributing to the general fund are personal income taxes, sales taxes, user taxes, property taxes, cigarette and alcohol taxes, business tax receipts, hotel taxes, inheritance taxes, property transfer taxes, and excise taxes.

State public safety agencies draw operating revenues from general funds. California, for instance, finances its 911 operations using revenue from the California general fund. As the statewide 911 coordinator and the primary handler of 911 calls statewide, the California Highway Patrol (CHP) receives the majority of this funding.<sup>27</sup> The California Department of Forestry and Fire Protection receives the majority of its funding from the general fund. For fiscal years 1997–1998, the department

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<sup>27</sup> Greg Brown, California Highway Patrol Program Management, telephone interview with Lisa Sabol, August 25, 1997.

received \$300 million from the general fund. This amount corresponds to approximately 0.006 percent of the total available in the general fund, which is about \$53 billion.<sup>28</sup>

#### 4.1.2 Surcharges

State funds are also drawn from surcharges that states impose on certain services, items, or penalties. Surcharges typically generate revenue needed to recover the cost associated with regulating or finding an activity or service. For example, Nevada's State Emergency Response Commission charges a hazardous material's facilities fee based on the amount of material at the facility. States levy surcharges as part of monthly phone bills to pay for 911 and Enhanced 911 (E911) services.

**4.1.2.1 911 and E911 Surcharges.** In 1967, the President's Commission on Law Enforcement and Administration of Justice recommended that a single number be established as a nationwide emergency reporting device. The President's Commission turned to the Federal Communications Commission (FCC) who in turn met with American Telephone and Telegraph (AT&T) to create an emergency number. In 1968, AT&T announced that 911 would be the nation's emergency code number. The Bell System established a policy to provide for the costs of necessary modifications to accommodate 911 at the Bell System's central offices. The Bell System policy made the 911 subscriber responsible for paying network trunking costs. Today, the local exchange carrier (LEC) issues monthly bills to its customers that itemize charges for local lines, directory assistance, listings, and a dedicated fee to recover the costs of providing and maintaining 911 services.<sup>29,30</sup>

Many states have passed laws that allow state and local governments to impose their own 911 surcharges to generate additional revenue for public safety agencies. For example, Virginia allows any county, city, or town that has established or that will establish an E911 emergency telephone system to impose a special tax on telephone service subscribers. Limitations often apply to how such 911-related surcharges can be used. For instance, Virginia's E911 surcharge can only be used for the initial capital, installation, and maintenance costs of E911 emergency telephone systems.

In the 1997 legislative cycle, 10 states passed laws to fund wireless 911 service by charging monthly user fees. See Table 4-1 for a listing of these states and surcharges.<sup>31</sup>

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<sup>28</sup> Fabian Favila, California Department of Finance, telephone interview with Lisa Sabol, August 27, 1997.

<sup>29</sup> National Emergency Number Association, *The Development of 9-1-1*, National Emergency Number Homepage, #<http://www.nena9-1-1.org/history3.htm>.

<sup>30</sup> XYPOINT, *State Solutions for Implementing the Federal Communications Commission Mandate to Provide Enhanced 911 Service to Customers of Wireless Telecommunications Service Providers*, Everything Wireless Homepage, #<http://www.wow-com/professional/reference/xypoint/recovery.cfm>.

<sup>31</sup> Ibid.

**Table 4-1**  
**Surcharges on Wireless 911 Service**

State	Surcharge (\$)
Arkansas	.50/month
Arizona	.10/month
Colorado	.70/month
Maine	.10/month
Montana	.15/month
Minnesota	.15/month
New Hampshire	undecided
Texas	.50/month
Rhode Island	.47/month
West Virginia	.75/month

Fourteen other states have introduced legislation for a wireless 911 surcharge, but these bills have not yet been enacted.<sup>32</sup>

**4.1.2.2 Other Examples of Surcharges.** Florida, Maryland, California, and Utah have other examples of user fees and surcharges that relate to funding public safety radio communications systems:

- Florida's state statute 617.7331(6) allows \$11.50 from each moving traffic violation to be used by each county to fund that county's participation in an intergovernmental radio communications program. The Division of Communications of the Department of Management Services approves this program. If a county does not participate in such a program, funds collected from moving traffic violations must be used to fund local law enforcement automation. The funds must also be distributed to the municipality or special improvement district in which the violation occurred or to the county, if the violation occurred within the un-incorporated area of the county.<sup>33</sup>
- Maryland's Circuit Court clerks collect similar fees from perpetrators of crimes to accumulate money for the Criminal Injury Compensation fund. This fund accumulated \$131,000 in FY96 and \$133,000 in FY95, and this money was remitted to the Department of Public Safety for various public safety uses.<sup>34</sup>
- In Wisconsin, a surcharge exists on traffic violations and a fee is imposed for most court filings, which are used to pay for state initiatives, including the Circuit Court Automation

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<sup>32</sup> Ibid.

<sup>33</sup> Florida Legislature, *Florida's Statutes (Supplement 1996) Chapter 318: Disposition of Traffic Infractions*, Florida: 1996.

<sup>34</sup> Jeff Vogel, Maryland Administrative Office of Courts, telephone interview with Haynee Kang, August 7, 1997.

Project (CCAP) and the Bureau of Justice Information System (BJIS).<sup>35</sup> Also in Wisconsin, the Department of Justice has implemented a three-tier user fees system to fund the Wisconsin Law Enforcement Network (called TIME). TIME is a statewide network used primarily to provide background check and warrant information. The various state agencies that use the system (including local law enforcement agencies) pay the lowest rate, nonprofit agencies pay a slightly higher rate, and the private sector pays the highest rate. The user fees acquired completely fund programming, operation, and maintenance of the system at the state level.<sup>36</sup>

### 4.1.3 State User Fees

User fees are levied as a means of establishing a fee-for-service construct for government services that are not used equally by all citizens. User fees are often applied to the operation of motor vehicles.

**4.1.3.1 Motor-Vehicle-Related User Fees.** States often fund their public safety needs by imposing user fees on motor-vehicle-related activities. Two such user fees are license plate registration fees and fees charged when issuing drivers' licenses. Colorado instituted a \$1 surcharge on motor vehicle registrations and drivers' licenses to fund user and backbone equipment for radio communications. California partially funds the operations of the California Highway Patrol (CHP), including its communications needs, through a \$15 surcharge on drivers' licenses and a \$19 surcharge on motor vehicle registration.<sup>37</sup>

**4.1.3.2 Other Examples of User Fees.** States fund new initiatives and programs by forming consortiums or partnerships among the departments using the initiative or program. In these situations, the cost of the initiative or program is calculated yearly and a fee for each user in the consortium or partnership is calculated and assessed. This scenario can provide greater efficiencies and cost savings for all participants. Other versions of this type of funding mechanism are described as follows:

- The Telecommunications Division of the Department of General Services in California is responsible for repairs and maintenance for the majority of the state's public safety agency radio systems. This Division contracts with public safety agencies that specify an hourly rate for services related to repairs and maintenance for the contract term. When service is rendered, the Telecommunications Division bills the individual agency for which the work was performed. The Telecommunications Division also operates the state's microwave communications system and charges public safety agencies a user fee based on mileage.

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<sup>35</sup> Scott Aker, Budget Analyst, Wisconsin State Budget Office, telephone interview with Wendy Sefert, September 5, 1997.

<sup>36</sup> Tony Fiore, Executive Policy & Budget Analyst, Wisconsin State Budget Office, interview with Wendy Sefert, September 12, 1997

<sup>37</sup> Dana Curry, California Legislative Analyst's Office, telephone interview with Lisa Sabol, August 29, 1997.

The Telecommunications Division can offer its services to local governments to raise additional revenue and to promote system interoperability.<sup>38</sup>

- Utah is attempting to implement the Utah Communications Agency Network (UCAN), an 800 Megahertz (MHz) public safety interagency and interoperable radio communications system. UCAN will be financed directly through user fees. Participants of UCAN can use one of three options to pay for user fees: up-front payment for service, which is estimated to be \$30–50 a month; trading other services for UCAN service, for example, sharing or trading trunked networks; or giving equipment in-kind, e.g., providing radios in exchange for service.<sup>39</sup>

#### 4.1.4 Bonds

Bonds are issued as debt instruments by states, territories, and possessions of the United States as well as by other political subdivisions, e.g., cities, counties, and school districts. For example, public agencies, such as authorities and commissions, may also issue municipal bonds. All municipal bonds with maturities of more than 1 year are typically issued in denominations of \$1,000 and greater and in increments of \$1,000. These funding mechanisms either support a government's general financing needs or provide capital for specific projects.

Several bond mechanisms are appropriate for infrastructure capital investment, including capital expenses required for radio communications systems.

- **General Obligation (GO) bonds** are secured by the full faith, credit, and taxing power of the issuer. Only issuers possessing the power to levy and collect taxes may issue GO bonds. State GO bonds are usually secured by income, sales, and other state taxes. At the local level, the security device is often the local jurisdiction's taxing power on property. GO bonds are repaid using general revenue funds.
- **Revenue bonds** are secured based on the revenue potential of the projects to be financed. The bond issuers pledge to the bond holders the revenues generated by the financed projects. Revenues can be from user fees and tolls and are used to repay the bonds.
- **Notes** are short-term issues that assist in financing a project or help manage cash flow. Notes are interest-bearing securities that pay the interest at maturity. Types of notes include: tax anticipation notes (TAN), which are used to finance operations in anticipation of future tax receipts; revenue anticipation notes (RAN), which are issued

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<sup>38</sup> Dennis Ellwell, Department of General Services Telecommunications Division, telephone interview with Lisa Sabol, August 25, 1997.

<sup>39</sup> Steven Procter, State of Utah, Utah Telecommunications Division Manager of Technical Services, telephone interview with Tim McEnery, August 29, 1997.

for the same reasons as TANs but are in anticipation of revenues rather than tax receipts; bond anticipation notes (BAN), which are issued for immediate financing of projects that will eventually be financed through long-term bonds; and grant anticipation notes (GAN), which are issued with the expectation of receiving grants from the Federal Government.

Three states using bond initiatives to support public safety–related initiatives are Pennsylvania, Michigan, and Massachusetts. Pennsylvania has a bond offer of \$50 million that provides money for a revolving loan fund with 1–3 percent interest rates for county and local governments. These funds are specifically targeted toward volunteer fire companies. Pennsylvania also plans to issue bonds to pay for its new statewide radio communications initiative, which has an estimated cost of \$179 million. In a similar manner, Michigan funded the purchase of user and infrastructure equipment for its radio communications system using a \$187 million state bond.

Massachusetts is constructing a statewide 800 MHz project with voice and data components. This wireless network, using trunking technology, began in 1994 and is already completed in eastern Massachusetts and in the Cape Cod area. Completion for central and western Massachusetts is projected for fall 1998. It is planned that the network, when completed will be open to all public safety agencies. More than 5,000 users are now in the Boston metropolitan area. The funding mechanism used to finance the project is two-fold: the State Police General Fund and the Capital Fund, which is allocated from the Secretary of Public Safety who is the primary source for this effort. The Capital Fund used the 1994 Transportation Bill as a vehicle for funding, and the fund is tied to a general obligation bond from the Transportation Bill.<sup>40-41-42</sup> From this \$3 billion spending bill, the bond allocates a maximum of \$48 million for this project. Two separate state bonds exist, one for \$36 million, (see, chapter 173 [Sec 1J] of the Public Safety Program Loan Act of 1994) and one for \$11 million (see, chapter 105 [Sec 1B] of the Public Safety Improvement Funding Act of 1996).<sup>43</sup>

Florida’s bond system illustrates several other pertinent considerations, particularly regarding the bond process. Under the provisions of the State Bond Act (Chapter 115, Florida State Code), the Division of Bond Finance is authorized to issue all state bonds pledging the full faith and credit of the state, and to issue all revenue bonds on behalf of all other state agencies, except as otherwise provided by the Florida Constitution. The Constitution provides “that revenue bonds may be issued by the State or its agencies without a vote of the electors to finance or refinance the cost of State fixed capital outlay projects authorized by law, and for purposes incidental thereto, and shall be payable solely from funds derived directly from sources other than State tax revenues.”

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<sup>40</sup> Craig Burlingame, Commonwealth of Massachusetts, Department of Public Safety, Criminal History Systems Board Executive Director, telephone interview with Tim McEnery, September 4, 1997.

<sup>41</sup> Marty Corry, Corry Associates, telephone interview with Tim McEnery, September 8, 1997.

<sup>42</sup> David Kennedy, Commonwealth of Massachusetts, Executive Office of Public Safety, telephone interview with Tim McEnery, September 1, 1997.

<sup>43</sup> Hannon Reilly, Commonwealth of Massachusetts, State House, Transportation Committee Legislative Analyst, telephone interview with Tim McEnery, September 4, 1997.

The Division of Bond Finance became the State Board of Administration on July 1, 1991. The benefits of a single entity issuing bonds include immediate market recognition, continuity, centralized expertise and resource availability, credit ratings and enhancement, and issuance time and cost efficiencies. Under Florida's bond system, it takes a minimum of 6 to 8 months to receive the actual proceeds of the sale of the bonds for a new program. Key steps in the process to obtain bond funds include: the acquisition of a bond counsel, which requires a bidding process and approval by the Governor and Cabinet; the draft, review, comment, and finalization of the bond resolution; the validation of bond proceedings; the draft and completion of official statements announcing the bond sale; and the sale and delivery of bonds.

#### **4.1.5 State Lotteries**

State lotteries also generate revenue for the state general fund and may be available for use by public safety agencies. For example, state lottery dollars in Texas are combined with tax and fee money in the general revenue fund. Lottery monies may also be earmarked for specific programs.

### **4.2 State Funding Mechanisms**

State governments use their revenues and allocate money to public safety agencies in the form of direct state budget appropriations, trust funds, and state technology infrastructure and capital funds.

#### **4.2.1 State Budget Appropriations**

The primary funding mechanism available at the state level is a direct appropriation from the state budget. State appropriations are drawn from numerous sources, including general state tax revenues, state user fees, state bonds, state trust funds, and state lotteries. State budget appropriations are used to support the implementation of state-sanctioned programs, directives, and objectives, including the operations and initiatives of many state and local public safety agencies. Although the details vary by state, the process for obtaining state appropriations is similar to the federal process described previously. Through direct appropriations, many states finance public safety agencies and projects by allocating part of the tax, bond, and surcharge revenues that compose the state operating budget.

The Illinois State Police, for example, receives funding through state appropriations that draw from income and sales taxes and from revenues contained in a state road fund. The road fund contains motor vehicle license fees, inspection fees, overweight fines for trucks, Federal Government money, local government money, and investment income. State appropriations provided to the Illinois State Police and other public safety agencies are often used to pay for the general operation, upgrade, and maintenance of technical systems, such as radio communications networks.

In Wisconsin, biennium state budget appropriations from the General Purpose Revenue (GPR) fund, (analogous to the federal general revenue fund) are generally used to fund the needs of the various

public safety agencies. Public safety is addressed at the local government level (with the exception of the state police), and each agency uses a separate radio communication system that it pays for with the money received through the budget process. The Wisconsin state agencies, which include law enforcement, fire/EMS, emergency government, hazardous material, corrections/mental health, forestry/conservation, military affairs, and highways/public works, reportedly spent \$17.4 million on separate public radio systems in 1997.<sup>44</sup>

#### 4.2.2 State Grants

In addition to receiving direct state appropriations, local municipalities can apply for state grants that are funded through general tax revenues, user fees, trust funds, and other sources, such as federal funds. Grant programs can be used to pay for elements of public safety radio communications systems. For instance, in the State of Colorado, grants are available through the State Department of Health, and the Division of Emergency Medical Services. The Sheriff's Office in Douglas County, Colorado, was awarded a \$100,000 grant from the State Department of Health. The funds were used to purchase radios for fire service personnel using an 800 MHz digital system.<sup>45</sup>

State grants generally require the completion of an application or equivalent qualifying device. The process of obtaining a state grant usually takes several months from the time that a grant application is made. Applications are made typically to a state agency responsible for administering grant programs. Such agencies often handle state-specific initiatives and federal grant programs that are run at the state level. Maryland is a case in point. In 1995, the Governor's Office of Crime Control & Prevention (OCCP) was created to administer 11 federal and state criminal justice and law enforcement grants programs.

The Maryland OCCP distributes more than \$13 million annually to state and local government agencies. The OCCP also assists in developing legislation, policies, programs, and budgets aimed at reducing and preventing crime, violence, delinquency, and substance abuse, including improving the administration of justice and other public safety issues. Participating OCCP agencies include: the Maryland State Police, Attorney General's Office, Department of Business and Economic Development, Department of Health and Mental Hygiene, Department of Housing and Community Development, Department of Human Resources, Department of Juvenile Justice, Department of Public Safety, and Correctional Services, and the Office of Children, Youth and Families.<sup>46</sup>

The State of Maryland is the recipient of funds from the following federal grant programs: Edward Byrne Memorial State and Local Law Enforcement Assistance Grants (\$49,340,000 in 1997); Juvenile Justice and Delinquency grants (\$1,134,000 in 1996); STOP Violence Against Women Act (VAWA) grants (\$1 million in 1997); Local Law Enforcement Block grants; Violent Offender

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<sup>44</sup> Dave Hewitt, Director, Bureau of Communications, Division of State Patrol, telephone interview with Wendy Sefert, August 29, 1997,

<sup>45</sup> Mike Coleman, Douglas County Lieutenant Sheriff, telephone interview with Tim McEnery, September 2, 1997.

<sup>46</sup> Governor's Office of Crime Control & Prevention, *Making Maryland's Communities Safe*, Maryland, Summer 1997.

Incarceration/Truth-in-Sentencing Program; and Residential Substance Abuse Treatment for State Prisoners grants. State programs include the Governor's Neighborhood Crime and Substance Abuse Prevention Grants, the HotSpot Communities Initiative (\$10.5 million during the next 5 years), and the Maryland After-School Grant Program Initiative.<sup>47</sup>

### 4.2.3 State Trust Funds and Targeted Taxes

States establish trust funds to target money for specific projects and requirements. For example, Colorado has embarked on a program to implement a state network that carries public safety two-way voice traffic for the Colorado State Patrol; Departments of Corrections, Transportation, and Natural Resources; and local public safety agencies. The State Division of Telecommunications submitted a budget request for FY 1997–1998 to the Office of State Planning and Budget for \$3.3 million for a pilot project in the Denver metropolitan area. A State Representative has sponsored a House bill (HB1071) to establish the Radio Communication Trust Fund of \$75 million for the development and implementation of this initiative.<sup>48</sup>

Many states collect additional revenue from motor-vehicle-related fees and taxes and from targeted sales taxes to establish special revenue funds. For example, a state may impose a dedicated tax for highway transportation funding. In 1993, California approved a measure known as Proposition 171 that created a permanent, \$0.5 cent sales tax for public safety purposes, namely, for the sheriff, the district attorney, and the probation departments. The Public Safety Sales Tax has generated more than \$1.5 billion for local public safety agencies annually, with 95 percent of this revenue awarded to counties. California's Legislative Analysis Office surveyed seven counties to see how public safety has fared since the inception of Proposition 171. The office discovered that between 1991–1993 and 1995–1996 spending by public safety departments receiving Proposition 171 funds increased by 7.9 percent. However, the recent enactment of Proposition 118 has invalidated Proposition 171. Ballot approvals on a county-by-county basis are now required to reestablish this source of funding for public safety.

As another example, funding for Utah's Fire and Rescue Community Training Center is generated by a state statute, Utah State Code 53–7–104.5, which requires that 5 percent of all state resident life insurance revenue and 15 percent of all fire insurance policy revenue be placed into a separate fund. This fund finances the Utah Fire and Rescue Community Training Center.

Many states that assist the government in law enforcement have seized assets and forfeiture funds. For example, in Colorado, state asset forfeiture funds match nearly 10 percent of local law

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<sup>47</sup> Ibid.

<sup>48</sup> California Legislative Analyst's Office, *LAO Analysis of the 1995-96 Budget Bill Part IV: An Overview of State Expenditures*, California Legislative Analyst's Office Homepage, #<http://www.lao.ca.gov/p964-1.html>.

enforcement assistance,<sup>49</sup> while in Wisconsin, the state Attorney General has approved expenditures in public safety from monies acquired through seized assets.<sup>50</sup>

#### 4.2.4 State Technology, Infrastructure, and Capital Funds

Many states have technology improvement funds or infrastructure funds that provide funding for information technology–related projects. For example, Maryland’s Office of Information Technology (IT) was established to administer such funds in conjunction with the Department of Budget and Management. The Office of Information Technology and the Technology Investment Fund provide sources of funding for IT projects that must meet the following criteria:

- Projects must, through quantifiable benchmarks, either realize the state’s shared vision, achieve universal citizen access, maximize customer satisfaction, or promote the efficient and effective operation of government.
- Projects must facilitate breakthrough improvements in business efficiency.
- Projects must drive toward a statewide or interagency implementation.

The Technology Investment Fund receives its capital from appropriations, contributions, sale of IT resources, disposition or depreciation of information processing equipment, proceeds from the sale of bonds, and as otherwise prescribed by law.<sup>51</sup>

To help fund communications and technology upgrades, the State of Nevada has moved a portion of the capital improvement fund to a technology improvement fund. This fund, which would operate through a grant program, would allow departments, agencies, cities, and counties to fund new technology initiatives. Nevada State Bill 101 transfers \$19 million from the state general fund and the state highway fund to implement technology improvement.<sup>52-53</sup>

Colorado has a capital construction fund that receives its funding from the state’s general fund. A board determines the distribution of these funds based on state priorities. Previously, the capital

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<sup>49</sup> John Enman, State of Colorado Department of Criminal Justice, telephone interview with Tim McEnery, August 25, 1997.

<sup>50</sup> Bradley DeBraska, President, Milwaukee Police Association, telephone interviews with Wendy Sefert, August 27, 1997.

<sup>51</sup> Maryland Department of Budget and Management, *Office of Information Technology*, Maryland Homepage, #[http://www.inform.umd.edu/umstate/md\\_resources/DBFP/oit.htm](http://www.inform.umd.edu/umstate/md_resources/DBFP/oit.htm).

<sup>52</sup> Nevada State Legislature, *Senate Bill No. 21-Committee on Finance*, Nevada State Homepage, #[http://www.leg.state.nv.us/97bills/sb/sb201\\_en.html](http://www.leg.state.nv.us/97bills/sb/sb201_en.html).25.

<sup>53</sup> Public Safety Division, Department of Motor Vehicles and Public Safety, interview with Andy Staton, August 12, 1997.

construction fund has held more than \$100 million. Portions of this money were used by the Colorado Division of Criminal Justice.<sup>54</sup>

In Wisconsin, the 1995-97 budget included an important innovation in the funding for technology with the creation of the Information Technology Investment Fund (ITIF). The ITIF was created to augment funding for state agencies (primarily GPR-funded agencies) that lack sufficient base funding to invest in technology. The long-term goal of the fund is to provide seed capital for development and implementation of innovative projects to redesign and reengineer the operation of state agencies. Funding for the ITIF comes from an annual user fee paid for by vendors seeking to do business with the state. This fee serves as a subscription to the state's new VendorNet service. Purchasing the service allows vendors to gain access to information about procurement by state agencies electronically through the Internet.<sup>55</sup>

The revenue source for the ITIF is voluntary and is paid only by those vendors who utilize the service. The Department of Administration is marketing VendorNet, but until the service gains a greater posture, alternative funding mechanisms are necessary. For example, the Governor of Wisconsin has recommended a one-time reallocation of \$2 million GPR annually from state operations to the ITIF for the 1997-99 biennium. The additional funds would be directed at encouraging innovative projects using the information technology (IT) infrastructure and will provide resources for state agency IT infrastructure development and other technology projects. Further, the Governor's proposed supplemental funding would allow the state to build on the \$3.8 million invested through the fund in the 1995-97 biennium.<sup>56</sup>

**4.2.4.1 Fire Programs Fund.** Another example of a targeted fund is the State of Virginia's Fire Program Fund.<sup>57</sup> Virginia's legislature established this fund, which is administered by the Department of Fire Programs. The fund is a special, non-reverting fund, which means all money deposited into or remaining in the fund will not revert to the State general fund but will remain in the Fire Programs Fund until expended. This fund is to be used to support volunteer and career fire-fighting personnel in each of the receiving localities. It is also intended to fund fire prevention and public safety education programs; the construction, improvement, and expansion of regional or local fire service training facilities; and the purchase of personal protective equipment, vehicles, and other equipment and supplies used in the receiving locality specifically for fire service purposes. Distribution of 75 percent of the fund is made on the basis of population. No county or city eligible for funds will receive less than \$10,000 and no eligible town will obtain less than \$4,000. Each locality receiving money from the Fire Programs Fund must report annually to the Department of Fire Programs on the use of funds, and it must provide a completed fire programs fund disbursement agreement form. If, at the end of the annual reporting period a recipient does not provide a satisfactory report, that recipient will not receive funds for the following year.

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<sup>54</sup> John Enman, State of Colorado Department of Criminal Justice, telephone interview with Tim McEnery, August 27, 1997.

<sup>55</sup> State of Wisconsin, *Budget in Brief, February 1997*. Uniform Resource Locator <http://www.doa.sate.wi.us/debf/9799bib.htm>.

<sup>56</sup> Ibid.

<sup>57</sup> Virginia General Assembly, "An Act to Amend and Reenact §§9-155 and 38.2-401 of the Code of Virginia, Relating to Virginia Fire Services Board; Fire Programs Fund," Virginia, 1997.

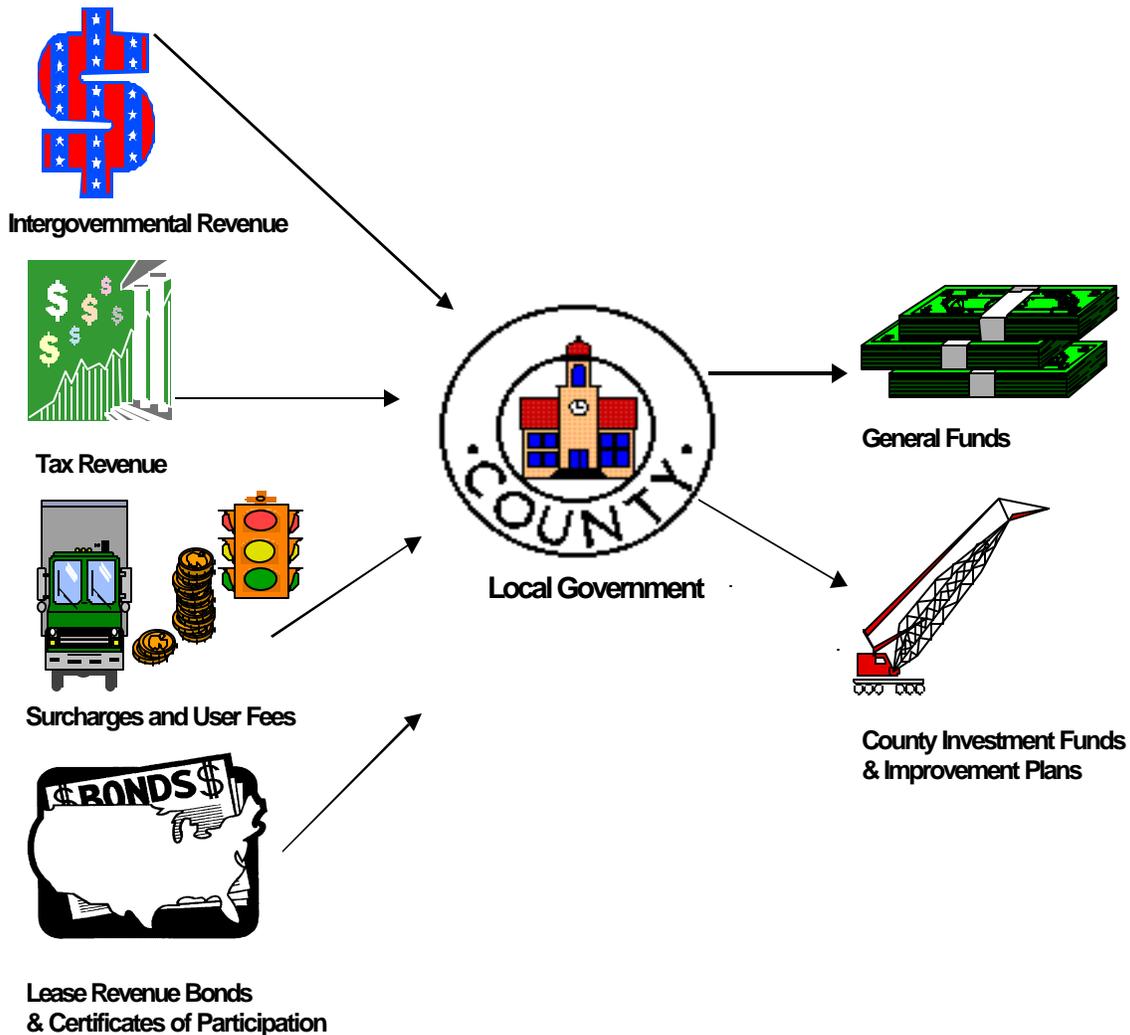
**4.2.4.2 Victim of Crime Fund and Criminal Injury Compensation Fund.** Other targeted funds pertain to penalties imposed on criminals or as a result of criminal behavior. For example, Chapter 313 of Maryland's Acts of the General Assembly of 1997 allows Maryland Circuit Court clerks to levy a fee on individuals who are convicted of committing crimes. The fees are contingent on the severity of the crime but average around \$80. One such fund, the victims of crime fund, which collected \$116,000 in FY96 and \$115,000 in FY95, channels the fees into the Governor's Office, for deposit in the state general fund.<sup>58</sup>

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<sup>58</sup> Texas Comptroller's Office, "Texas Lottery Information," Texas Comptroller's Office Homepage, #<http://www.window.state.tx.us:80/txgovinf/txlottery.html>.

## 5. LOCAL FUNDING SOURCES

Local governments provide their public safety agencies with funding via revenue sources generated from federal, state, and local governments. This section focuses on the revenue sources needed to create funding mechanisms on the local level. It also addresses how these funding mechanisms are used by local governments for local agencies' missions. Among the revenue sources considered at the local level are taxes, surcharges, and fees for services. These revenue sources enable local governments to provide public safety agencies with funding mechanisms such as direct appropriations, county capital improvement plans, county investment funds, lease revenue bonds, and certificates of participation.



**Figure 5-1**  
**Local Funding Sources**

## 5.1 Local Government Revenue Sources

Local governments may receive nearly 40 percent of their revenue from the Federal Government and state governments, and the rest primarily through property taxes and surcharges. These revenue sources are funneled into a local government's general fund. Local governments obtain the majority of the rest of their revenue from taxes. For example, in Arlington County, Virginia, the county general fund is composed of revenue generated from local taxes (40 percent from real estate taxes), fees (such as library fines, refuge and recycling fees, charges for clinics, and hook-up fees for the water and sewer systems), and state and federal reimbursements (10 percent is from the state and federal levels for state and federal directives).<sup>59</sup> Although local governments vary in the types of taxes used (for example, not all governments collect an income tax), many local governments impose taxes on general property, general sales, individual income, corporate and business income, motor fuel, cigarettes, and alcoholic beverages. Unlike the Federal Government, local governments do not rely heavily on individual income taxes, and unlike state governments, they rely much less on sales taxes.<sup>60</sup>

Local governments are also able to raise specific taxes or apportion percentages of taxes specifically to fund public safety initiatives. For example, several years ago Las Vegas, Nevada, raised the personal property tax \$0.05 for every \$100 of assessed value. This measure has allowed them to raise almost \$1 million a year for the city, enabling the city to establish its 911 system. Today, in a joint program with Clarke County (the county adjacent to Las Vegas, Nevada), Las Vegas has implemented an 800 MHz communications system using this method of funding.<sup>61</sup>

### 5.1.1 Surcharges

Although states generally set limits on surcharges, local governments are usually able to determine adequate surcharge compensation levels within state-defined boundaries. Two prominent surcharges for local public safety agencies have been the 911 and E911 surcharges. For example, in Wake County, North Carolina, commissioners are trying to encourage local leaders to join them in asking the legislature to impose the 911 surcharge currently included in traditional telephone bills onto cellular phone service bills as well. This action would create revenue to purchase a new 800 MHz emergency communications system and center. Traditional telephone customers currently pay \$0.11 cents a month to finance 911 dispatch; the county has the authority to increase this surcharge. A proposed plan would also increase the surcharge on traditional telephone customers from 11 cents to \$1. Such 911 surcharges can generate a significant amount of money for local governments and public

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<sup>59</sup> Barbara Edwards, Arlington County Management and Finance, telephone interview with Haynee Kang, August 19, 1997.

<sup>60</sup> Robert D. Lee, Jr. and Ronald W. Johnson, *Public Budgeting Systems*. Baltimore: University Park Press, 1983.

<sup>61</sup> Leslie Doak, Budget Director for the Nevada Office of Budget and Management, telephone interview with Andy Staton, August 14, 1997.

safety agencies. For example, Dubuque County, Iowa generates approximately \$500,000 annually from a \$1 monthly surcharge on E911 services.<sup>62</sup>

### **5.1.2 Fee for Service**

Many local governments impose charges for current services, such as library, swimming pool, and cemetery fees; repair and damage recoveries; election fees; planning and miscellaneous filing fees; police, fire, engineering, redevelopment, and parking citation services; communications services charges; and automobile abandonment retrieval fees. For example, in San Diego, California, the fire department charges for its services and expects to collect \$1.9 million in FY98, while collections generated by the police are expected to total \$1.8 million in FY98.<sup>63</sup>

Local governments can levy user fees for specific public safety needs to generate revenue. For example, Orange County, North Carolina EMS charges residents a fee for emergency medical care to offset the associated costs. As of October 1, 1996, residents are charged \$100 for assessment, treatment, and referral (without transport), \$250 for Basic Life Support (BLS) treatment and transport, and \$350 for Advanced Life Support (ALS) treatment and transport.<sup>64</sup>

Localities sometimes charge fees on permits granted for new construction in the city. These fees can pay for capital purchases, such as communications equipment. The City of Folsom California Fire Department is funded by this type of fee, which in Folsom is called a Fire Impact Fee.<sup>65</sup>

Some fee-for-service arrangements involve local governments from one jurisdiction providing services to governments from another jurisdiction. For example, the City of San Jose, California, sells its public works laboratory services to other jurisdictions or contracts services to other public agencies. It has transformed a vacant building, purchased by the city in 1983, into a public-private partnership conference center. San Jose has generated between \$4 to \$10 million annually through such entrepreneurial projects. Similar efforts have been undertaken by the City of Palo Alto, California, which sends animal control officers to the cities of Los Altos, Mountain View, and Redwood City. Palo Alto sells fleet maintenance to other government agencies and has leased time for use of the police firing range and for a criminal evidence room. These efforts offset the cost of a new police station.<sup>66</sup>

### **5.1.3 Lease-Purchase Financing Bonds and Certificates of Participation**

Lease Revenue Bonds (LRB) and Certificates of Participation (COP) are financing tools that provide public agencies with long-term financing to acquire or construct specific equipment, land, or

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<sup>62</sup> Craig Reber, "Emergency Radio System Nears Approval," Telegraph Herald, A3: February 29, 1997.

<sup>63</sup> City of San Diego, *Proposed Annual Budget Fiscal Year 1998*, Vol. 1.

<sup>64</sup> Orange County, NC, "Orange County EMS Fee Schedule," [http #: http://www.ned.ybc.edu/~jeg/fees.htm](http://www.ned.ybc.edu/~jeg/fees.htm).

<sup>65</sup> Eric Dutton, City of Folsom, CA Fire Department, telephone interview with Lisa Sabol, September 8, 1997.

<sup>66</sup> Janet Rae-Dupree, "California Cities Cut Deficits By Selling Services," *Knight-Ridder Newspapers*, July 20, 1994.

facilities. LRBs and COPs are used by public agencies (e.g., counties, cities, redevelopment agencies, school districts, special districts, transportation authorities, hospitals, and higher education institutions) for financing public-use infrastructure. Since 1981, COPs and LRBs have been the single largest source of funding for local public infrastructure. In a lease-purchase financing arrangement, the government, as the lessee, buys a property from the lessor through installment payments made during a given period of time. The leasing fees are legal operating expenses subject to appropriation each year. When all payments have been made, the government receives full ownership of the property. On larger transactions, investors buy COPs that give them a share of lease payments made on that property. Certificates are generally issued in \$5,000 denominations, and each certificate signifies that the investor owns a proportional interest in the lease payments made by the governmental entity. Often a trustee, usually a bank, handles the distribution of lease payments from the government to COP holders and manages any legal proceedings if payments do not arrive. Some cities pool their resources to create one program, thus giving the participants the advantages of economies of scale, tax exemption, and an established credit rating. Features of COPs programs include the following:

- COPs do not require voter approval. A city can enter into a lease and purchase with no bond election requirement.
- 100 percent financing. The lease and purchase agreement may be structured to allow installation, handling, insurance, and other initial costs incurred with the project to be included in the payments.
- Competitive interest rates. The COP has a higher yielding interest rate because it is less secure than debt and generally funds must be appropriated yearly and the appropriation process may be subject to politics. The interest portion of the lease payment is exempt from federal income taxation for the investor, resulting in lower interest rates for each participant.
- Tax-exempt payments for municipalities. A tax-exempt lease and purchase agreement generally offers an even repayment schedule, no lump sum, and usually no down payment. This structure conserves capital and enables the city to easily budget and disperse the cost of the asset over multiyear periods. However, payments may be structured to conform to income sources that are not received evenly.
- Ownership of the asset. Cities use the asset during the term of the obligation and ultimately own the asset after the terms of the agreement have been fulfilled.
- Flexibility in structure. Given a fixed budget, a participant may structure the agreement in a variety of ways. Lease and purchase financing is a suitable and

economical method for financing capital assets that are too expensive to fund during a 1- or 2-year period.<sup>67</sup>

In 1991, new COPs exceeded \$8 billion. More than 60 percent were in California because of the high infrastructure demand and strict controls on traditional finance.<sup>68</sup> The city of Tucson, Arizona, has used the COP model to purchase public safety radio equipment and upgrades and to fund real property acquisition and capital improvements.<sup>69-70</sup>

## **5.2 Local Funding Mechanisms**

Local governments use the revenue collected from taxation, bonds, surcharges, and fees to create funding mechanisms for local operations. Many public safety agencies receive annual appropriations from their local governments' general funds. They also receive money through more indirect sources such as capital improvement plans, lease-purchase financing bonds, and certificates of participation.

### **5.2.1 Local General Funds**

Public safety agencies are supported through general funds. A general fund is an operating fund that local governments use to pay for basic local government services, such as public safety, street maintenance, refuse collection, parks and recreation, and libraries. These services are mostly paid for by tax revenue but are also supported by surcharges and fees. For example, Arlington County's Emergency Communications Center—a coordinated county police, fire, and ( receives most of its funding from the county general fund. Arlington County's general funds helped purchase an \$8 million 800 MHz communications system.<sup>71</sup> The county originally intended to lease the system using a planned pay-as-you-go budget scheme. After reconsidering this plan, Arlington County decided to buy the system using capital funds: \$7.6 million of the total \$8 million cost came from the general fund. The county is now using the money set aside for the pay-as-you-go scheme to finance the buyout of the system.

### **5.2.2 Local Investment Funds**

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<sup>67</sup> Ontario Montclair Strategic Action Plan Committee, *Certificate of Participation Programs*, City Limits Homepage, #<http://www.citylimits.com/OMSD/technology/cop.html#COP>.”

<sup>68</sup> John L. Mikesell, *Fiscal Administration: Analysis and Applications for the Public Sector*, 4th ed. New York: Harcourt Brace College Publishers, 1995.

<sup>69</sup> Ibid.

<sup>70</sup> Katie Burke, Communications Superintendent for the Tucson Information Services Bureau, telephone interview with Andy Staton, August 18-22, 1997.

<sup>71</sup> Steve Souder, Arlington County Emergency Communications Center Director, telephone interview with Haynee Kang, August 19, 1997.

Many counties, localities, and states establish investment funds similar to state trust funds. An investment fund generally refers to the use of surplus cash for investments. For example, Fairfax County, Virginia's Office of Finance Investment and Cash Management Division maintains a cash investment fund that holds cash and temporary investments for all funds in a single pooled account.<sup>72</sup>

### 5.2.3 Local Capital Improvement Plans

County capital improvement plans are similar to state capital improvement funds. Generally, county capital improvement plans are separate from the county or city budget and contain sums of money that sustain funding needs for a fixed number of years. Local-level capital improvement plans are usually managed by a city council or a county board. For example, in San Diego, California, a capital improvement is generally a large construction project, such as the development of a park, the construction of an overpass, or the installation of a traffic signal. In San Diego, California, these funds are supported by water and sewer fees, a \$0.05 cent local sales tax for transportation improvements, developer impact fees, grant funds, and bonds.<sup>73</sup>

Arlington County, Virginia has a Capital Improvement Plan (CIP). The CIP is separate from the county's general fund budget. Arlington County's CIP runs on a 5-year cycle. Arlington County is currently within the 1998-2003 cycle and this cycle contains \$449.5 million. 64 percent of the \$449.5 million came from bond and lease purchases, and 36 percent came from a pay-as-you-go scheme, state highway funding, and hook-up fees. Arlington County's CIP funds can be used for storm drainage, parks, government buildings, and public safety.

To obtain bond revenue, county board approval is required. After approval, the bond must be advertised and a hearing must be conducted to allow citizens to learn and ask questions about the bond. The bond is then placed on the ballot, and if approved by the voters, the county board issues the bond in the marketplace.

The pay-as-you-go funding scheme is coordinated by the county manager. The county manager is responsible for approving yearly requests for funding taken out of the CIP. If the county manager approves a request, it is submitted to the CIP's capital budget staff for further review. The capital budget staff must approve the request before it is presented to the county board. The county board reviews the request, and if the request is approved, the board appropriates a specified amount of funding.<sup>74</sup>

Fairfax County, Virginia, also has a CIP for fiscal years 1998-2001. The CIP provides a framework for predictable capital expenditure and timely scheduling of bond referenda. The program

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<sup>72</sup> County of Fairfax, Virginia, *Comprehensive Annual Financial Report*, Fiscal Year 1996.

<sup>73</sup> San Diego, California Budget and Management Services, *Proposed Annual Budget Fiscal Year 1998* vol. 1.

<sup>74</sup> Barbara Edwards, Arlington County Management and Finance, telephone interview with Haynee Kang, August 20, 1997.

targets the completion of previously approved funding commitments and a few new projects. The CIP is supported by a combination of debt, pay down, and special revenue financing. The primary revenue source is general obligation bonds.

Within this CIP, general funds are targeted for facility management projects and public works improvements, while enterprise funds have been targeted for the Water Authority and the County's sewer and waste management needs. New funding of \$80 million is included for a 1998 proposed Public Safety/Courthouse Facilities referendum. This project would provide about \$44 million to expand the courthouse and \$36 million to expand governmental and police centers, fire stations, and fire safety improvements. Fairfax County has no legal limit on the amount of bond debt that it can incur or have outstanding, although all debt must be approved by voter referendum before borrowing is initiated.<sup>75</sup>

Montgomery County, Maryland, is using a CIP to fund the voice system portion of their 800 MHz radio communications system. The target cost for the voice system, if funded entirely by the CIP, is \$17 million.<sup>76</sup>

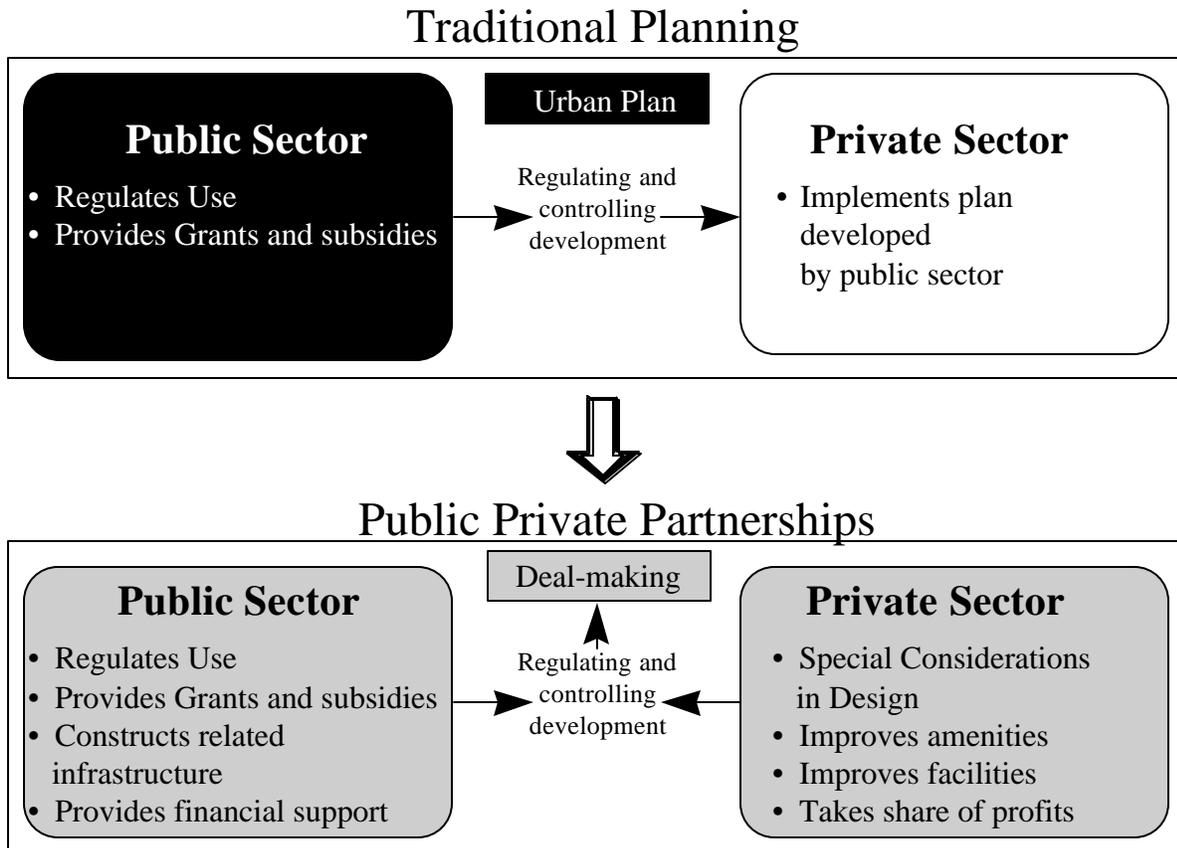
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<sup>75</sup> Fairfax County, VA Office of Management and Budget, *FY 1998-FY 2002*, [http#:  
www.co.fairfax.va.us/gov/omb/cip97.htm](http://www.co.fairfax.va.us/gov/omb/cip97.htm).

<sup>76</sup> Gary McKelvy, Program Manager of Telecommunications DIST, interview with Brian Love.

## 6. PUBLIC and PRIVATE PARTNERSHIPS

Public and private sector groups are starting to combine their resources to provide funding and operational services in the communications field. This cooperation allows these groups to combine their funding sources to pay for more efficient, modernized service, share scarce bandwidth, and combine their operational efficiency in industries that are interdependent. Figure 6-1 highlights some of the benefits of public and private partnerships.



**Figure 6-1**  
**Advantages of Public/Private Partnerships**

### 6.1 Examples of Public/Private Partnerships

The State of Nevada, through the Nevada Department of Transportation (NDoT), initiated a plan to improve and enlarge its communications systems by joining with Nevada utility companies in a public and private partnership. This partnership allows for public and private entities to consolidate their equipment and facilities to save resources.

The effort began when Nevada Power showed an interest in using some of the NDoT frequencies because its own bandwidth was approaching full capacity. The power company obtained a waiver from the FCC to use the frequencies for safety and maintenance purposes only. After agreement between the two stakeholders was reached, NDoT moved into the Nevada Power communications

facilities and, although each group owned a separate portion of the infrastructure, the system operated as a shared system.

Because of the success of this effort, NDoT received numerous inquiries from the North Las Vegas Police Department, the Sierra Power company, Nevada Gas, and the University of Nevada at Las Vegas on the possibility of forming a shared “user group” of the communications network. Participants would provide the necessary equipment (radios, transmitters, antennas, etc.) of the shared system. The result of those discussions was a restructuring of the NDoT Communications Department. NDoT’s Communications Department was merged with the shared data processing unit. Additional funding from the consortium members was used to jump-start the program. Today, due to shared resources, the NDoT saves between \$100,000 and \$300,000 in funds.<sup>77</sup>

Many volunteer fire and EMS companies raise funds from the private sector. Public fire departments also are increasingly using private donations. Occasionally, revenue collection is encouraged by setting up nonprofit foundations.

Favorable consideration of these sources is influenced by the benefit private sector input can provide, such as state-of-the-art equipment, training, and market research indicating the best techniques. Other factors to consider when engaging the private sector include the potential need for expertise in preparing tailored proposals to obtain corporate donations and grants from foundations.

The City of Scottsdale, Arizona, has entered into a partnership with the Arizona Public Service Company (APS) to mutually pursue energy efficiency in the city’s facilities. In the first joint project, APS advanced \$153,500 to retrofit seven city facilities with energy efficient lighting. These funds will be repaid in monthly installments included on the electric utility bill for each facility. Funds for the repayment originate from the energy savings for the facility. The repayment period is 5 years with no penalty for early repayment. APS paid the lighting retrofit contractor, which did not affect the city’s budget.<sup>78</sup>

Local governments may need additional funding beyond funds allocated from the county governments. To pay for some capital programs, public safety agencies may contract portions of the program to private entities. Private contracting may be the most cost effective way to provide service. For example, the Scottsdale Fire Department is owned by a private company called Rural Metro, which provides fire and rescue services to Scottsdale. The City of Scottsdale has a contract with Rural Metro, but residents outside of the city limits must contract with Rural Metro individually. For instance, a subscriber of Rural Metro who lives in an 1,800 square foot house pays Rural Metro \$181 a year, or approximately \$.10 a square foot.<sup>79</sup>

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<sup>77</sup> Roger Grable, Assistant Director of Administration for the Nevada Department of Transportation, telephone interview with Andy Staton, September 3, 1997.

<sup>78</sup> Resource Development Group, *Scottsdale’s City Services*, City of Scottsdale Homepage, <http://www.ci.scottsdale.az.us/gprdgweb.html>

<sup>79</sup> Ibid.

The Giuliani administration has employed the International Management Group, a marketing agency, to assist the city in obtaining corporate sponsors for items such as playgrounds, snack bars, litter baskets, and police patrol cars. Industry experts maintain that companies may be willing to pay millions to be an “official” product or service of New York City or one of its institutions. For example, under the plan, a company like Coca-Cola may pay to be the exclusive drink sold at all city-run concession stands or an automaker like Ford may pay to call its Crown Victoria model the official patrol car of the New York City Police Department. Similar commercial initiatives have occurred in other cities. Los Angeles County, California, beaches have an official suntan lotion and bottled water, while Buffalo, New York, has an official health-maintenance organization and an official paint. Lesa Ukman, editor of the IEG Sponsorship Report, noted that, if managed effectively, New York’s sponsorship program could generate the fund-raising potential of the Olympic Games, which charged major corporations up to \$40 million for several years for the right to use the Olympic logo.<sup>80</sup>

Improving South Carolina’s Radio Communication Systems is a priority of South Carolina’s State Plan on Technology initiative. During the past 3 years the state has developed plans, and is now implementing, a state-owned mobile data communications system (MDCS), to be used by Public Safety, Highway Patrol, State Law Enforcement, Wildlife, Transportation, Corrections, Forestry, Employment Services, Health and Environment Control agencies, among others. In addition, the state is establishing a contract for agencies requiring upgrades of existing voice radio systems to lease 800 MHz of trunked radio service. The financial mechanism behind the plan raises funds through public and private partnerships. One-third of the funding for the partnership is to be provided by local governments, one-third by the utility companies, and one-third by each state agency (specifically the Office of Public Safety).<sup>81</sup>

Additionally, the State of South Carolina also has the Emergency Communications Network (ECN). The ECN is an emergency facility to be used only when standard telephone service supporting a critical health or public safety function has been disrupted or has become unreliable to the point of jeopardizing that function, or when a local, regional, or statewide emergency or disaster situation has been declared. The ECN consists of about 100 telephones located statewide in county emergency operations centers, public safety agencies, hospitals, and other critical locations. The ECN also includes access circuits connecting these 100 telephones to major switching centers, and diverse systems of statewide trunks capable of routing and rerouting calls around troubled areas.

Each county in the state also has an Emergency Operations Center. The Emergency Operations Center designates the location of the emergency telephones in each county, establishes a plan for activating these telephones, and coordinates the ECN use when a disaster is declared. These facilities

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<sup>80</sup> David Halbfinger, “From the Battery to the Bronx, New York Seeks Corporate Sponsors,” *New York Times*, May 1, 1997, sec. B:5.

<sup>81</sup> Ted Lightle, Director of Office of Information Resources, Columbia, SC, interview with Andy Staton, August 18–22, 1997.

are donated at no cost to the state by an impressive list of both national, regional, and state telecommunications manufacturers and service providers.<sup>82</sup>

## 6.2 Foundations<sup>83</sup>

Foundations provide funding for an array of programs and services. There are various national grant providers whose concerns for national, state, and local policy, public affairs, and health and human services reach all segments of society. Organized philanthropy exists in two forms: public charities and private foundations. Private foundations also incorporate independent and corporate foundations.

Examples of various public safety entities that have received funding from foundations are as follows:

- The County of Midland, located in Midland, Michigan, was a recipient of the Herbert H. and Grace A. Dow Foundation for the amount of \$150,000. The funding was used to provide upgraded service for the 911 Central Dispatch Center.
- In 1995, the Dallas Police Department, Narcotics Division, located in Dallas, Texas, was a recipient of \$106,500 from the Meadows Foundation Inc. The funding was used to purchase computer systems and equipment for enhancements to the computer information systems linking city and county law enforcement efforts to deter drug trafficking.
- The State of Indiana, Department of Corrections located in Indianapolis, Indiana, was the recipient of \$100,000 from the Edna McConnell Clark Foundation in 1994. The funding helped to document, expand, and institutionalize community corrections programs to enable policy makers to evaluate community corrections programs, plan for integration of a criminal justice information system, and analyze training needs for probation, parole, and community corrections.
- The Vera Institute of Justice, located in New York, New York, was a recipient of \$100,000 from the Edna McConnell Clark Foundation in 1994. The funding was used for computer equipment and software and to train staff in using and maintaining a criminal justice node on the Internet.
- The National Council on Crime and Delinquency (NCCD) located in San Francisco, California, was a recipient of \$17,500 from the Edna McConnell Clark Foundation in 1993. The funding was used to design an information system that will be used by several government agencies, including the Department of

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<sup>82</sup> Office of Information Resources, *South Carolina Emergency Communication Networks*, South Carolina Homepage, #<http://www.state.sc.us/sceninfo.html>.

<sup>83</sup> The Foundation Center, *The Foundation Directory*, Washington, DC: 1997.

Corrections, Administrative Office of Courts, and Board of Pardons and Parole to collect and track criminal, work, and family histories of offenders, their arrest and conviction data, parole board actions, information about sentencing, conditions of probation or parole, and performance while under community supervision.

- The City of Glendale Police Department located in Glendale, Arizona, was the recipient of \$14,850 from the H. N. & Frances C. Berger Foundation in 1993. The funding was used to purchase computer equipment.
- In 1995, the Mayors Alliance for a Safer Los Angeles, located in Los Angeles, California, was the recipient of \$1 million from the Ahmanson Foundation, California. The funding was used towards a capital campaign to modernize the Los Angeles Police Department's technology and training methods.
- In 1995, the University of Southern California, located in Los Angeles, California, was the recipient of \$500,000 from the Weingart Foundation, California. The funding was used to provide training for the purchase and implementation of a new Los Angeles Police Department computer network.
- In 1995, the North Dakota Council on Abused Women's Services, located in Bismarck, North Dakota, was the recipient of \$30,000 from the Otto Bremer Foundation, Minnesota. This program was designed to implement a Criminal Justice System Monitoring Program, which was an effort to demonstrate the need for a statewide data collection system recording incidents of domestic violence.
- In 1995, the Bucyrus Police Auxiliary, located in Bucyrus, Ohio, was the recipient of \$14,000 from the Timken Foundation of Canton, Ohio. The funding was used to purchase radios and bullet-proof vests.
- In 1995, the Weed Police Department located in Weed, California, was the recipient of \$39,459 from the Ford Family Foundation. The funding was used to purchase radio equipment.
- The City of Diboll, located in Diboll, Texas, was the recipient of \$18,545 from the Temple Foundation in 1994. The funding was used to purchase a computer for its Police Department.
- Telecommunications for the Deaf, located in Silver Spring, Maryland, was the recipient of \$35,000 from the NEC Foundation of America in 1994. The funding was used toward a year-long examination of nationwide telephone emergency services, including 911 services, to develop consensus among deaf and hard-of-hearing consumers, emergency service providers, government entities, and the telecommunications industry.

- The Advocacy Institute, located in Washington, DC, was the recipient of \$100,000 from the John D. and Catherine T. MacArthur Foundation in 1994. This was a 1-year grant to develop an interactive communications system for advocates of gun violence prevention.

Appendix B provides contact information for foundations that contribute to various public safety type projects.

### **6.3 Endowments**

An endowment is a gift wherein the principal is held in perpetuity and where the money is used in whole or in part for designated purposes. For instance, a citizen could establish an endowment of a certain sum of money, say \$10,000, where the money was expected to earn an investment return of approximately 10 percent. Then each year, \$1,000 would be paid to fund a project of the donor's choice with the net income balance being reinvested for growth each year.

In Arizona, the Scottsdale Community Endowment Program was created to offer citizens an opportunity to ensure that the causes and programs they supported during their lifetime could continue far into the future. Scottsdale offers donors a great degree of flexibility in designing their charitable legacies. Endowments can direct their gifts toward the following discretionary funds: human resources, youth services, parks and recreation, public safety, libraries, culture and the arts, and the McDowell Mountain Preserve. Scottsdale has a partnership with the Arizona Community Foundation (ACF) to professionally administer its charitable funds and keep the dollars perpetually useful. Through a special program, endowment gifts can be matched by the ACF.

Scottsdale also accepts gifts ranging from furniture for the teen center to artwork for City Hall. For example, the Shipp family, long-time Scottsdale residents and business owners, chose to give a mounted patrol and bicycle unit to the Scottsdale Police Department.

### **6.4 Other Public and Private Arrangements**

Several other public and private arrangements are potential models for cooperation and represent potential alternative funding sources for public safety communications projects.

#### **6.4.1 Economic Development Authority**

A special act of the state legislature can create an economic development authority. The economic development authority then coordinates the economic development plans of the county with public sector groups such as the Chamber of Commerce. This approach allows for a more focused effort to promote and develop an area or specific infrastructure project. The public-private partnership works by using local government funding and private sector income to maximize available resources.

## **6.4.2 Direct Solicitation**

Public safety departments such as volunteer fire departments often use this method. They as well as others, often take the straightforward approach of door-to-door solicitation or direct mail solicitation.

## **6.4.3 Fund-Raising Events**

Volunteer fire-fighters traditionally raise funds by bake sales, barbecues, carnivals, dinners, picnics, casino nights, sporting events, and a wide variety of other types of fund-raising activities. Citizens may balk at new fund-raising mechanisms, and therefore they need to be included in the discussion of the need for improved or new equipment and services at the outset. Many safety providers use professional fund-raisers to assist in approaching the private sector. Scottsdale, Arizona's Community Services Department and Environmental Management Division has raised more than \$1 million from fund raising. For example, Arizona's Paiute Neighborhood Center has successfully found contributors to help refurbish buildings and enhance programs. Additionally, the Scottsdale Community College has agreed to provide educational services and assistance in outfitting classrooms with equipment.

## **6.4.4 Corporate Donations**

Both volunteer and paid fire departments have been successful in soliciting grants and services from local and national corporations. These sources may be involved in safety (e.g., insurance companies, manufacturers of fire-related equipment, manufacturers of products involved in fires, manufacturers of telecommunications equipment), or may be interested in enhanced public relations and performing community services.

## **6.4.5 Private Foundations**

Some communities are fortunate to have local foundations whose funds can be used for providing special public safety services, starting new services, helping low-income areas, or other services allowed by their charters. Some national foundations also contribute to fire, EMS, and law enforcement services.

## **6.4.6 Reduced and Shared Costs**

Shared funding of infrastructure can reduce costs for both the government and private industry. This is achieved by sharing infrastructures such as tower sites. By leasing space on tower sites to commercial providers on a voluntary basis, local governments, including public safety agencies, may be able to realize additional revenue for maintenance or other public safety needs.

The State of Ohio's Department of Administrative Services noted, "One method of cost containment we plan on utilizing is sharing of resources with various utility providers. In return for tower

space, we will permit and encourage direct communication between a utility company's operations center and the State's Emergency Management Agency." By permitting commercial services to collocate their facilities on the towers of local governments and public safety agencies, commercial services will be able to provide more wireless services (even in sparsely populated areas) while providing additional revenue sources for local governments and public safety agencies to run these important programs.

#### **6.4.7 Incentives for Private Investment**

The government could institute policies that give firms incentives to pay for a portion or all of the capital investment in new equipment and lines, thereby encouraging the private sector to invest in infrastructure development. This can be achieved by decreasing the cost of participation in infrastructure development.

#### **6.4.8 Accelerated Depreciation**

Firms investing in capital for critical infrastructure development could be allowed to have an accelerated depreciation period to amortize their capital investments, thereby encouraging investment.

#### **6.4.9 Business Expense Deductions**

Some activities impose business expenses, but not investments, on corporations (e.g., background checks, industry government communications channels). Under the charitable deduction rule, these expenses could be a corporate income tax deduction, or these expenses could be treated as ordinary and necessary business expenses, and therefore deductible. This allows firms to recoup a portion of their expenses.

#### **6.4.10 In-Kind Reimbursements**

The government could arrange for infrastructure enhancements through in-kind reimbursements. Instead of capital being exchanged for goods and services, the government could arrange for the transfer of a variety of commodities, include equipment, technology, or property. For example, the government could issue land-usage rights to industry to use old military bases to build radio and cell site towers.

#### **6.4.11 Matching Grants**

The government could encourage infrastructure investment by establishing matching grant programs whereby the government would match the funding dollars obligated by industry. This type of arrangement has been used previously through the Civil Defense Act's 50/50 matching grant provisions for state governments to plan and prepare for various emergencies and disasters. FEMA administers the Civil Defense Act grants in which monies can be used for a wide variety of purposes. Most often, the money supports the construction and equipping of local emergency operation centers.

#### **6.4.12 Tax Credit**

Tax credits would provide a direct debit to a corporation's income-tax liability, rather than a favorable factor for computing that liability. This tax credit would encompass specific enhancements at an even more favorable rate. The tax benefit would have to be targeted as precisely as possible to avoid unacceptable revenue loss to the Treasury. The government could create tax incentives for targeted infrastructure investments.

#### **6.4.13 Tax-Exempt Bonds**

Tax-exempt bonds could be established like municipal bonds, allowing personal income tax exemption to investors who purchased bonds that were used to fund critical infrastructure development.

## 7. SUMMARY

This report provides a snapshot of current revenue sources and funding mechanisms available to public safety agencies. As noted during the interview process, the chief concern of agency budget staffs and public safety officials remains obtaining adequate and consistent funding for the life of a wireless system project. The report makes clear that there are no revenue sources or funding mechanisms specifically earmarked to meet public safety wireless needs.

This is the first in a series of reports to address the problem of funding public safety wireless systems. The next report will develop proposals for creating specific funding sources targeted to public safety wireless needs. Such proposals might include the use of spectrum revenues to establish a grant for public safety wireless systems or establishing a public safety wireless trust fund or by adopting the “best practices” used to fund other capital programs or major information technology initiatives.

Additional information or comments regarding this report from federal, state, and local public safety officials and other interested parties are welcomed. Please forward your comments to: Kathryn von Forell, Booz · Allen & Hamilton, who may be contacted at fax number (703) 902-3465, telephone (703) 917-2108, or e-mail at [von\\_forell\\_kathryn@bah.com](mailto:von_forell_kathryn@bah.com).

**APPENDIX A**

**ABBREVIATIONS AND ACRONYMS**

## APPENDIX A

### ABBREVIATIONS AND ACRONYMS

ACF	Arizona Community Foundation
ALS	Advanced Life Support
APS	Arizona Public Service Company
ATF	Bureau of Alcohol, Tobacco, and Firearms
AT&T	American Telephone and Telegraph
BAN	Bond Anticipation Note
BJA	Bureau of Justice Assistance
BJIS	Bureau of Justice Information System
BLS	Basic Life Support
CCAP	Circuit Court Automation Project
CHP	California Highway Patrol
CIP	Capital Improvement Plan
COP	Certificate of Participation
COPS	Community Oriented Policing Services
COPS MORE	Community Oriented Policing Services More
DEA	Drug Enforcement Agency
DoC	U.S. Department of Commerce
DoJ	U.S. Department of Justice
EBS	Emergency Broadcast System
ECC	Emergency Communications Center
ECN	Emergency Communications Network
EMS	Emergency Medical Service
FBI	Federal Bureau of Investigation
FCC	Federal Communications Commission
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FHA	Federal Highway Administration
FY	Fiscal Year
GAN	Grant Anticipation Note
GO	General Obligation
GPR	General Purpose Revenue
HB	House Bill
HUD	Department of Housing, Urban Affairs, and Development
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
IT	Information Technology
ITIF	Information Technology Investment Fund
LEC	Local Exchange Carrier

LLEBG	Local Law Enforcement Block Grant
LMR	Land Mobile Radio
LRB	Lease Revenue Bonds
MDCS	Mobile Data Communication System
NCCD	National Council on Crime and Delinquency
NDoT	Nevada Department of Transportation
NHTSA	National Highway Traffic Safety Administration
NTIA	National Telecommunications and Information Administration
OCPP	Office of Crime Control and Prevention
OMB	Office of Management and Budget
PSWN	Public Safety Wireless Network
PTFP	Public Telecommunications Facility Program
RAN	Revenue Anticipation Note
TAN	Tax Anticipation Note
TIAP	Telecommunications and Information Infrastructure Assistance Program
TREAS	Department of the Treasury
UCAN	Utah Communications Agency Network
USPIS	United States Postal Inspections Service
USPP	United States Park Service
U.S.C.	United States Code
USCG	United States Coast Guard
USSS	United States Secret Service
VAWA	Violence Against Women Act

**APPENDIX B**

**REFERENCES**

## APPENDIX B

### The Federal Budget Process

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**The Federal Budget Making Process** ~~3/4~~ **Formulation of the Budget.** The President is responsible for establishing general budgetary and fiscal guidelines for federal spending. Based on these guidelines, the Office of Management and Budget (OMB) works with federal agencies to establish specific policy directions and the fiscal requirements needed to conduct their policy goals. This period is marked by a constant exchange of information between the agencies, the OMB, and other executive agencies.

In the fall, agencies submit requests outlining for the OMB justification for their fiscal requirements. OMB staff review the requests and recommend changes. The OMB and agencies will discuss the recommended changes and reach an agreement. After an agreement is reached, the OMB prepares the President's final budget to be submitted to Congress.

**Congressional Action on the Budget.** After receiving the President's budget, which generally occurs in February, Congress considers the President's budget proposals, and either approves, modifies, or rejects them. Congress can change funding levels, eliminate programs, or add programs not requested by the President. Furthermore, Congress can add or eliminate taxes, or make changes that affect the amount of taxes levied.

Congress follows a two-step process in passing the budget: authorization and appropriation. Through its standing committees, Congress first passes laws authorizing federal agencies and programs and then recommends funding them at certain levels. Some programs must be authorized annually, some are authorized for several years, and some are authorized indefinitely. After spending is authorized, the Budget Committee initiates the concurrent resolution on the budget. Budget resolutions are not laws and do not require presidential approval. When Congress adopts the budget resolutions, it sends the resolutions to the Committee on Appropriations and its subcommittees. The Committee on Appropriations, through its subcommittees, proposes to appropriate the money through appropriations bills.

Appropriations bills are initiated in the House. The House Committee on Appropriations has the following 13 subcommittees, each of which has jurisdiction over a certain portion of the budget:

- Subcommittee on Agriculture, Rural Development, the Food and Drug Administration, and Related Agencies
- Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies
- Subcommittee on the District of Columbia
- Subcommittee on Energy and Water Development
- Subcommittee on Foreign Operations, Export Financing, and Related Programs
- Subcommittee on the Interior and Related Agencies

- Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
- Subcommittee on the Legislative Branch
- Subcommittee on Military Construction
- Subcommittee on National Security
- Subcommittee on Transportation and Related Agencies
- Subcommittee on Treasury, Postal Service, and General Government
- Subcommittee on Veterans Affairs, HUD, and Independent Agencies.

Each subcommittee holds hearings and reviews detailed information concerning each budgetary request. After the bill is approved in the subcommittee, then the full committee, it proceeds to the House floor, or Committee of the whole, for passage or defeat. Should the legislation be passed with sufficient votes, it is then forwarded to the Senate. The Senate then reviews - and may modify the bill by amendment - and votes for passage or defeat by the whole Senate. If the bill is passed, but differs in content from the House version, a conference committee consisting of members from both legislative bodies resolves the differences. The conference committee report is returned to both the House and Senate for vote and subsequent approval or defeat of the measure.

After each appropriations bill is passed by both the House and Senate, it is submitted to the President for approval or veto. If the President vetoes a bill, the bill returns to Congress for modification and negotiations between the House and Senate and the executive and legislative branches of government. Congress can override a veto with a two-thirds vote. As of 1996, the President has had access to the line-item veto. A line-item veto allows the President to veto a specific measure in the bill without having to reject the entire bill. The bill becomes law with the President's signature.

If the budget bills are not approved at the beginning of the fiscal year, Congress can issue continuing resolutions that give agencies temporary emergency funding to operate until the budget bills are passed.

**Budget Execution.** The OMB apportions the appropriated funds to the agencies. The agencies must spend the money in a manner consistent with the appropriations laws. The Federal Anti-Deficiency Law of 1906 forbids entities, such as government agencies, from spending more than their appropriated amount. The OMB usually apportions funds by time periods (generally by quarter of the fiscal year) and sometimes by activities. Agencies may request that their money be reapportioned throughout the year to accommodate changing circumstances. Changing circumstances also may reduce the need for spending, in which case the President may withhold the money under limited circumstances as defined in the Impoundment Control Act of 1974.

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## Contact Information for Federal Grants

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## Federal Grants and Cooperative Agreements

An OMB Circular that addresses grants and cooperative agreements with state and local governments can be obtained through the Office of Federal Financial Management, Office of Management and Budget, Room 6015, New Executive Office Building, Washington, DC 10503, or call (202) 395-3993.

## Community Oriented Policing Services More (COPS MORE) Grant

For further information contact the COPS Universal Hiring Program, Office of Community Oriented Policing Services (COPS), 1100 Vermont Ave., NW, Washington, DC 10530, or contact your state COPS Grant advisor:

### COPS GRANT ADVISORS

STATE	ADVISOR'S NAME	PHONE NUMBER
Alabama	Jill Morris	(202) 616-9556
Alaska	Russell Kramer	(202) 616-9781
American Samoa	Steve Catalano	(202) 514-4867
Arizona	Jana Hackworth	(202) 616-9117
Arkansas	Marchelle Yoch	(202) 616-9590
California 109, 408, 510, 707, 916	Melissa Ferguson	(202) 514-1756
California 113, 310, 561, 619, 714, 760, 805, 818, 909	Yolanda Little	(202) 514-6364
Colorado	Carol Limburg	(202) 616-9113
Connecticut	Christine Schneider	(202) 616-9196
Delaware	Keesha Thompson	(202) 514-1901
District of Columbia	Becky Smith	(202) 514-4154
Florida 305, 561, 813, 941, 954	Darren Neely	(202) 307-3971
Georgia	Deborah Price-Schott	(202) 514-8947
Guam	Shellie Soloman	(202) 616-8987
Hawaii	Jana Hackworth	(202) 616-9117
Idaho	Kim Gorniak	(202) 616-6489
Illinois 847, 630, 708, 815	Vince Shay	(202) 616-1875
Illinois 117, 309, 618	Michelle Brickley	(202) 616-9554
Indiana	Lee Stokes	(202) 616-9111
Iowa	Josina Talbert	(202) 616-1887
Kansas	Matthew Perkins	(202) 616-5881
Kentucky	Dave Mehring	(202) 616-9115
Louisiana	Steve Catalano	(202) 514-4867

<b>STATE</b>	<b>ADVISOR'S NAME</b>	<b>PHONE NUMBER</b>
Maine	Peter O'Connor	(202) 514-9059
Maryland	Steve Meyer	(202) 616-9161
Massachusetts	Julius Dupree	(202) 616-9591
Michigan	Jamie French	(202) 616-9767
Minnesota	Jim O'Malley	(202) 305-0865
Mississippi	Jennifer Simpson	(202) 514-1088
Montana	Kim Gorniak	(202) 616-6489
Nebraska	Josina Talbert	(202) 616-1887
Nevada	Joseph Roach	(202) 616-8549
New Hampshire	Peter O'Connor	(202) 514-9059
New Jersey	Daniel Valencia	(202) 616-1879
New Mexico	Jana Hackworth	(202) 616-9117
New York	Roberta Houlton	(202) 616-9778
North Carolina	Dave Thomas	(202) 514-4465
North Dakota	Dionne Johnson	(202) 616-9773
Ohio	Tim Harding	(202) 616-9164
Oklahoma	Delka Perry	(202) 514-6398
Mofet, OK	Shellie Soloman	(202) 514-8987
Oregon	Kim Gorniak	(202) 616-6489
Pennsylvania	Will Keyser	(202) 616-1894
Puerto Rico	Marchelle Yoch	(202) 616-9590
Rhode Island	Christine Schneider	(202) 616-9196
South Carolina	Deborah Price-Scott	(202) 514-8947
South Dakota	Dionne Johnson	(202) 616-9773
Tennessee	Edward Mixon	(202) 616-1314
Texas 110, 511, 817, 915	Michael Carey	(202) 514-6378
Texas 114, 409, 913, 806, 903, 971	Tom Donnelly	(202) 616-9411
Utah	Melissa Furguson	(202) 514-1756
Vermont	Peter O'Connor	(202) 514-9059
Virgin Islands	Keesha Thompson	(202) 616-1901
Virginia	Anthony Burley	(202) 514-1156
Washington	Russell Kramer	(202) 616-9781
West Virginia	Steve Meyer	(202) 616-9161
Wisconsin	Sherly Katz	(202) 616-9763
Wyoming	Dionne Johnson	(202) 616-9773
NYC, LA, Chicago	Kristen Layman	(202) 616-1896

### **Edward Byrne Memorial State and Local Law Enforcement Assistance**

For further information, contact the Bureau of Justice Assistance, 633 Indiana Avenue NW, Washington, DC 10531 or contact the Department of Justice Response Center at 1-800-411-6770.

### **Local Law Enforcement Block Grant**

For more information contact the Bureau of Justice Assistance, 633 Indiana Avenue, NW, Washington, DC 10531, or call the Department of Justice Response Center at 1-800-411-6770.

### **Rural Outreach Network Development Program<sup>84</sup>**

The Department of Health and Human Services' Rural Outreach Network Development Program awards grants to expand access to, coordinate, restrain the cost of, and improve the quality of essential health services, such as preventive and emergency services, by developing integrated health care delivery systems or networks in rural areas and regions. Funded projects include efforts to provide primary care services in rural areas, including mental health services, emergency medical services, prenatal care, free clinical services, and preventive health services. Total obligations for the program in FY96 and FY97 were \$16 million each. The same is forecasted for FY98. The range of financial assistance is \$50,000 – \$100,000.

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<sup>84</sup> General Services Administration (GSA), "Rural Outreach Network Development Program," Catalog of Federal Domestic Assistance (FDAC), GSA Homepage, #<http://gsacentral.gsa.gov/cgi-bin/waisgate?WAISconnType=&WAISdocID=1578328148+3+0+0&WAISaction=retrieve>.

## CONTACT INFORMATION FOR FOUNDATIONS THAT SUPPORT PUBLIC SAFETY

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### **COMSAT Corporate Giving Program**

6560 Rock Spring Dr.

Bethesda, MD 10817

Telephone: (301) 114-3700

Michele H. Tennery, Community Relations Manager.

**Fields of interest:** Crime and law enforcement, education; engineering and technology; higher education; minorities, immigrants, centers and services, performing, theater, political science; science, visual arts.

### **The Coastal Corporate Giving Program Coastal Tower**

Nine Greenway Plaza East, Suite 714

Houston, TX 77046

Telephone: (713) 877-1400

Contact: Wellington F. Osterloh, Director of Public Relations.

**Purpose and activities:** Monetary donations have been made in areas of the arts, education, public T.V., volunteer fire groups, and diabetes.

### **The Hazel Dell Foundation, Inc.**

1013 Centre Rd., Suite 350

Wilmington, DE 19805

**Purpose and activities:** Giving primarily for hospitals and medical centers, secondary and higher education, and for local police and fire departments.

**Geographic focus :** Connecticut; New Jersey; California

**Selected grants:** The following grants were reported in 1994.

\$1,000 to Fairfield Fire Department, Fairfield, CT.

\$1,000 to Fairfield Police Department, Fairfield, CT.

### **Coshocton Foundation**

110 South Fourth St.

P.O. Box 55

Coshocton, OH 43811

Telephone: (614) 611-0010

Contact: Orville Fuller, Treasurer.

**Purpose and activities:** Support largely for the improvement of a park and the downtown area; giving also for a museum, health services, higher education, and a county-wide leadership program.

**Geographic focus :** Ohio

**Selected grants:** The following grants were reported in 1995.

\$11,885 to Emergency Medical Services of Coshocton County, Coshocton, Ohio, for automatic external defibrillators.

**The Edna McConnell Clark Foundation**

150 Park Ave., Rm. 900  
New York, NY 10177-0016  
Telephone: (111) 551-9100  
FAX: (111) 986-4558

**Purpose and activities:** Programs are presently directed toward five specific areas: creating partnerships between communities and child protective services agencies to better protect children from abuse and neglect; promoting the development of effective, economical, and humane systems of criminal sanctions for adult offenders in selected states; preventing family homelessness in New York City neighborhoods by strengthening families, buildings, and blocks; increasing the academic performance of urban middle school students through systemic, standards-based reform; and advancing the means to control disease and improve health in several African countries. The foundation also maintains a small Special Projects category to support projects that serve people from poor and disadvantaged communities but that fall outside, or cut across, the established program areas.

**Selected grants:** The following grants were reported in 1995.

\$945,000 to Vera Institute of Justice, New York, New York. For workshops to convene steering committees to review and strengthen reform efforts in criminal justice, payable in installment during 1.15 years. \$400,000 to Center for Effective Public Policy, Silver Spring, Maryland, to continue work to develop effective sentencing practices that appropriately use community punishments and to expand these practices into additional counties in North Carolina and Oklahoma.

## **LISTING OF FEDERAL, STATE, and LOCAL REVENUE SOURCES**

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### **FEDERAL REVENUE SOURCES<sup>85</sup>**

#### **Federal Taxes**

##### Property

- Individual Income
- Corporation Income
- Sales and Gross Receipts
  - Customs Duties
  - Selective
    - Motor Fuel
    - Alcoholic Beverages
    - Tobacco Products
    - Public Utilities
- Motor Vehicle and Operators' Licenses
- Death and Gift

#### **Federal Surcharges**

- National Defense and International Relations
- Postal Service
- Education
  - School Lunch Sales
  - Higher Education
- Natural Resources
- Hospitals
- Sewage
- Solid Waste Management
- Parks and Recreation
- Housing and Community Development
- Airports
- Water Transport and Terminals
- Special Assessments
- Sale of Property
- Interest Earnings
- Utility
- Insurance Trust Revenue

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<sup>85</sup> U.S. Department of Commerce, *Statistical Abstract of the United States*, 1996.

## **STATE REVENUE SOURCES<sup>86</sup>**

- State Taxes
  - Sales and Gross Receipts
  - General
  - Motor Fuels
  - Alcoholic Beverages
  - Tobacco Products
- Licenses
  - Motor Vehicles
  - Corporations
- Individual Income
- Corporation Net Income
- Property
- Charges and Miscellaneous
- Intergovernmental Income
  - Federal Government
    - Public Welfare
    - Education
    - Highways
    - Other
- Utility Revenue
- Liquor Store Revenue
- Insurance Trust Revenue
  - Employee Retirement
  - Unemployment Compensation

## **COUNTY REVENUE SOURCES**

- Intergovernmental Revenue
  - State Government
  - Federal Government
- Tax Revenue
  - Property
  - Charges and Miscellaneous

## **CITY REVENUE SOURCES**

- Intergovernmental Revenue
  - State Government
- Taxes

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<sup>86</sup> Ibid.

- Property
  - Sales and Gross Receipts
- Surcharges
- Utility and Liquor Store Revenue
  - Water System
  - Electric Power System
  - Gas Supply System
  - Transit System
  - Liquor Stores
- Insurance Trust Revenue