



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 10, 2005

S. 1063

IP-Enabled Voice Communications and Public Safety Act of 2005

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on November 2, 2005*

SUMMARY

S. 1063 would amend current law and regulations regarding emergency 911 telephone service and the Internet-based telephone service known as Voice-over-Internet-Protocol (VOIP). The bill would direct the Federal Communications Commission (FCC) to consider temporary waivers to the current requirement that VOIP providers connect users to emergency 911 service by November 28, 2005. The bill also would require the federal E-911 Implementation Coordination Office to create a plan for a transition to an Internet-based emergency network. Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost about \$1 million over the 2006-2010 period. Enacting the bill would not affect direct spending or revenues.

S. 1063 contains several intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) including limitations on the imposition and use of certain fees that state and local governments can charge providers of a VOIP service. CBO estimates that the costs of these provisions to state, local, and tribal governments would grow over time but would not exceed the threshold established in UMRA (\$62 million in 2005, adjusted annually for inflation) in any of the first five years that the mandates are in effect.

S. 1063 would impose a private-sector mandate as defined in UMRA on all private entities that own 911 components necessary to transmit VOIP emergency services over their networks. Based on information provided by industry and government sources, CBO expects that the aggregate direct costs of complying with the mandate would be minimal and would fall below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Under current law, VOIP providers must connect their users to emergency 911 services by November 28, 2005. S. 1063 would require the FCC to consider waivers for VOIP providers who may have technical difficulties complying with this requirement by the deadline. The bill also would require the E-911 Implementation Coordination Office to create a plan to transition national 911 communications from telephone service to the Internet.

Based on information provided by the FCC, CBO estimates that administrative costs for processing waivers applications from VOIP providers would cost about \$1 million in 2006. Costs could be higher depending on the number of applications. We estimate that issuing regulations and planning for an Internet-based 911 system would cost less than \$500,000 over the 2006-2010 period. Enacting the bill would not affect direct spending or revenues.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1063 contains several intergovernmental mandates as defined in the Unfunded Mandates Reform Act including limitations on certain fees that state and local governments impose on providers of VOIP, a preemption of state liability laws, and a requirement on public safety answering points (PSAPs) to comply with requests for information from the FCC. CBO estimates that the costs of these provisions to state, local, and tribal governments would grow over time but would not exceed the threshold established in UMRA (\$62 million in 2005, adjusted annually for inflation) in any of the first five years that the mandate is in effect.

Limitations on Fees

Section 2(c) would prohibit state, local, and tribal governments from imposing fees on VOIP providers that exceed those imposed on other telecommunications providers. The bill also would require that intergovernmental entities spend 911 fees collected from VOIP providers only for support of emergency communications.

VOIP is a relatively new technology and few states are currently imposing 911 fees on this service. It is possible that some state and local governments would choose to impose such fees at a rate higher than those charged on other telephone services, but CBO has no information upon which to make such an assumption at this time. Furthermore, most states impose 911 fees on wireline and wireless services that are similar, implying the likelihood that such fees on VOIP also would be similar. Therefore, CBO estimates that the costs to state and local governments from the bill's limitation on fees, while they might grow over time, would likely be small over the next five years.

Preemption of State Liability Laws and Requirements on PSAPs

Section 2(f) would preempt state liability laws covering PSAPs and other governmental entities that answer VOIP-connected 911 calls. This provision would provide PSAPs, providers, or users of VOIP the same protection granted to wireless and wireline entities and would benefit intergovernmental entities by protecting them from liability claims.

Section 4 would require PSAPs to comply with certain nominal information requests from the FCC and would not be costly.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1063 would impose a private-sector mandate as defined in UMRA on all private entities that own 911 components necessary to transmit VOIP emergency services over their networks. Section 2 of the bill would require all VOIP service providers to have full access to the necessary 911 components. Owners of 911 components would be able to charge VOIP service providers a fee for using their network components, but would be mandated to enter into such agreements with those providers. Large private entities that own 911 components have most of the infrastructure in place to comply with the mandate. Some smaller owners of 911 components may not have such capacity and would incur costs to comply with the mandate. Based on information provided by industry and government sources, CBO expects that the aggregate direct costs of complying with the mandate would be minimal and would fall below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

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