

HOUSE BILL REPORT

SHB 1126

As Passed Legislature

Title: An act relating to the implementation of the enhanced 911 excise tax study recommendations regarding 911 emergency communications system funding.

Brief Description: Providing for 911 emergency communications funding.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Mastin, Sump, Boldt, Doumit, Hatfield, McMorris, Kessler, Sheahan, Sheldon, Mulliken, Grant, Chandler, O'Brien, Conway, Wood, Cooper, Murray and Morris).

Brief History:

Committee Activity:

Finance: 3/7/97 [DPS].

Floor Activity:

Passed House: 3/19/97, 97-0;

Passed House: 1/16/98, 89-0.

Passed Legislature.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris and Schoesler.

Minority Report: Without recommendation. Signed by 2 members: Representatives Pennington and Van Luven.

Staff: Linda Brooks (786-7153).

Background: Where a 911 system is available, a person can contact emergency assistance by dialing "911." Under a basic 911 system, the caller must identify his or her location to the emergency system personnel. Under an enhanced 911 (E-911) system, the caller's phone number and location are automatically displayed at the public safety answering point. In 1991 voters adopted Referendum 42, requiring E-911 service to be available throughout the state by December 31, 1998.

Enhanced 911 services are funded by county and state excise taxes. All counties levy an excise tax on each switched telephone access line. The maximum rate that a county may levy on a switched line is 50 cents. Counties may also impose an excise tax of up to 25 cents per month on each radio (wireless/cellular) access line.

The state levies a maximum tax of 20 cents per switched telephone access line. There is no state tax on radio access lines. Voters approved this state tax when they adopted Referendum 42. State tax revenues fund a state E-911 coordinator and help counties to pay for the extra costs incurred in upgrading from a basic 911 system to an enhanced 911 system. The maximum tax rate of 20 cents per switched access line applies during the implementation phase of E-911 service when capital costs for new equipment must be paid. The state tax rate is scheduled to lower to a maximum tax rate of 10 cents per switched access line after December 31, 1998. Revenues from this lower state tax rate are to be used to assist counties in meeting their ongoing operational costs for their E-911 systems.

The telecommunications industry continues to rapidly change. Since Referendum 42 was adopted, the number of radio access calls to E-911 centers has risen. Radio access calls slow E-911 systems, because the E-911 systems are not equipped with technology that identifies the location or phone number of a call from a radio access line.

In 1994, the Legislature directed the Department of Revenue to study long-term funding for E-911 systems. Some study recommendations are as follows:

- Impose a state tax on radio access lines so that radio and switched access lines are taxed at the same rate;
- Change state law so that the maximum tax rate of 20 cents per switched access line does not automatically lower to maximum tax rate of 10 cents per switched access line on January 1, 1999; and
- Distribute state E-911 assistance only to counties that have imposed a full 50-cent tax on switched access lines and 25-cent tax on radio access lines.

In 1997 the Military Department also conducted an E-911 study. As a result of its study, the Military Department finds that a maximum state tax rate of 10 cents will not be sufficient to cover on-going E-911 operational costs. The Military Department requests that the maximum E-911 state tax rate of 20 cents per switched access line be made permanent. Some counties are unable to support E-911 systems with available revenues, and the Military Department concludes that financial incentives should be used to encourage these counties to regionalize and operate multicounty E-911 systems. Some counties also indicate that implementing E-911 has caused them to

hire additional staff, and the Military Department requests legislative direction as to whether state funds should be used to reimburse counties for increased staffing costs.

The Military Department administers and collects state E-911 excise taxes. The Military Department also coordinates the state E-911 program.

The 1998 supplemental operating budget includes funding for the Department of Revenue to study and evaluate the most cost effective and efficient manner for implementing statewide E-911 services for radio access lines.

Summary of Bill: A maximum state E-911 tax rate of 20 cents per switched access line is made permanent. The actual tax rate must be based on actual revenue needs and may vary from year to year.

A county may not receive any state E-911 excise tax funds, unless the county has imposed maximum county 911 taxes.

State E-911 tax revenues may be used to pay for increased salary costs in a county with fewer than 75,000 residents, if the county's salary costs have increased as a result of handling 911 calls. This salary assistance for a county with fewer than 75,000 residents is limited to a maximum of 3 years.

When two or more counties jointly operate a multicounty E-911 system, state assistance may be provided to the multicounty region. If counties in the multicounty region have fewer than 75,000 residents, then the state assistance may include salary assistance. There is no restriction on the number of years that salary assistance may be provided to a multicounty region.

Tax administration and collection duties are transferred from the Military Department to the Department of Revenue. The Military Department continues, however, to coordinate the state E-911 program.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 1999, except for section 14 which takes effect on July 1, 1998.

Testimony For: The state enhanced 911 tax rate should not lower to 10 cents on January 1, 1999, because the lower tax rate will not generate sufficient revenues. Rural counties do not earn enough revenue from their county 911 taxes to pay for the operational costs of their enhanced 911 systems. For example, Ferry County's 911 tax revenues generate only \$18,000, an amount insufficient to pay the salary for even

one 911 dispatcher. Emergency communication is an important function. Residents from the state's urban areas travel to rural areas for recreation, and these urban visitors expect to be able to call 911 from any location in the state for emergency assistance.

The state tax should be extended to apply to radio access lines, because many persons buy a cellular phone precisely for emergency communication. According to a survey of wireless customers, 88 percent of the respondents cited needing a cellular phone for emergencies as a reason for buying a cellular phone.

Testimony Against: The state 911 tax should lower to 10 cents per line in 1999. The incidence of the state tax falls unfairly on businesses. Many businesses have a large number of phone lines, and the tax must be paid on each switched access line. The lower 10 cent state tax plus local 911 tax revenues will generate sufficient revenue to operate enhanced 911 systems. While technological changes are occurring, a higher tax is also not needed to pay for improvements to the enhanced 911 systems. These needed improvements can be adequately funded, since the tax base is growing rapidly. The number of phone lines is growing faster than the 3 percent growth rate reported in the Department of Revenue study.

Testified: (Pro): Jim Potts, Douglas, Ferry, Stevens, Pend Oreille and Whitman Counties; Fran Bessermin, Stevens County E911 Advisory Committee; Jim Quackenbush, Thurston County 9-1-1; Rose Parr, Ferry County 911; Terry Hunt, Washington State Grange; Reuven Carlyle, XYPoint Corporation; and Guz Schwartz, Retired Public Employees Council. (Con): Robin Appleford and Art Butler, TRACER.