

# FINAL BILL REPORT

## SHB 1126

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C 304 L 98

Synopsis as Enacted

**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).

**House Committee on Finance**  
**Senate Committee on Ways & Means**

**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. The Military Department is responsible for statewide coordination of E-911 programs.

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 tax 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. Counties are required to set 30 days following the collection month as the date by which telephone companies must remit E-911 revenues.

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 statewide coordination of the E-911 program and help counties to pay for the extra costs incurred in upgrading from a basic 911 system to an E-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 decrease 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 treasurer is required to deposit state revenues in the E-911 account, but the law does not specify how the revenues are to be transferred from the telephone companies who collect the taxes to the treasurer. Nor does the law provide for

enforcement of the collection and remittance of the tax. Reportedly, telephone companies have been sending the state revenues to the Military Department, which has been forwarding the money to the treasurer.

The telecommunications industry continues to change rapidly. 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 decrease to a 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 found that a maximum state tax rate of 10 cents will not be sufficient to cover ongoing E-911 operational costs. The Military Department recommended that the maximum E-911 state tax rate of 20 cents per switched access line be made permanent. Some counties generate insufficient revenues to cover E-911 related salaries and operational expenses, and the Military Department concluded that financial incentives should be used to encourage these counties to regionalize and operate multi-county E-911 systems. Some counties also indicate that implementing E-911 has caused them to hire additional staff, and the Military Department recommended that the Legislature direct whether state funds should be used to reimburse counties for increased staffing costs.

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:** 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. County ordinances must require telephone companies to remit county E-911 revenues on or before the last day of the month following the month in which the tax liability accrued.

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 three years.

When two or more counties jointly operate a multi-county E-911 system, state assistance may be provided to the multi-county region. If counties in the multi-county 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 multi-county region.

The Military Department continues to coordinate the state E-911 program, but tax administration, collection, and enforcement duties are assigned to the Department of Revenue. The Department of Revenue may adopt rules to implement this act.

If a telephone company goes out of business and the Department of Revenue determines there is no reasonable means of collecting taxes from the company, then the person in charge of remitting the state E-911 revenues may be personally liable for any unpaid taxes, interest, and penalties. The person is liable only if he or she willfully fails to pay the taxes or willfully fails to see that the taxes are paid. "Willfully" means an intentional, conscious, and voluntary course of action.

**Votes on Final Passage:**

House 89 0  
Senate 45 0 (Senate amended)  
House (House refused to concur)

Conference Committee

Senate 45 0  
House 98 0

**Effective:** January 1, 1999, except for section 14 which takes effect on July 1, 1998