

HOUSE BILL REPORT

SHB 1126

As Amended by the Senate

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.

Senate Amended.

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 enhanced 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. In contrast to the counties, the state only levies a 20-cent tax on switched telephone access lines. There is no state tax on radio access lines. Voters approved the state 20-cent tax on switched access lines, 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 to an enhanced 911 system.

All counties will complete capital improvements to inaugurate enhanced 911 systems by December 31, 1998. When voters approved Referendum 42, the voters actually approved two different tax rates: a 20-cent tax and a 10-cent tax. The higher 20-cent tax rate applies during the implementation phase of enhanced 911 service when capital costs to build the systems are high. After December 31, 1998, the state rate is scheduled to lower to a 10 cent tax rate. Revenues from this lower rate are to be used to assist counties in meeting their ongoing operational costs for their enhanced 911 systems.

The telecommunications industry continues to rapidly change. Since Referendum 42 was adopted, the number of radio access calls to enhanced 911 centers has risen quickly. Radio access calls slow enhanced 911 systems, because the enhanced 911 systems are not equipped with technology that identifies the location or phone number of a call from a radio access line. The need to constantly adapt enhanced 911 systems to accommodate new technology has caused people to question whether enhanced 911 systems will have adequate revenues to pay for continuing technological upgrades. In 1994, the Legislature directed the Department of Revenue to study long-term funding for E-911 systems. Some of the recommendations of the study include:

- Imposing a state tax on radio access lines so that radio and switched access lines are taxed at the same rate;
- Changing state law so that the 20-cent tax rate does not automatically lower to a 10- cent rate on January 1, 1999;
- Allowing for a flexible state tax rate up to a maximum tax rate of 20-cents per radio or switched access line; and
- Distributing state enhanced 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.

Summary of Bill: The state enhanced 911 excise tax remains at a maximum rate of 20 cents per switched access line and will not lower to a maximum rate of 10 cents until January 1, 2001. The actual tax rate must be based on actual revenue needs and may vary from year to year.

The state enhanced 911 excise tax is also extended to apply not only to switched telephone access lines but also to radio access lines.

Revenue generated from the state tax on radio access lines must be used to fund planning and implementation of enhanced 911 systems to better accommodate cellular calls. Revenues from the tax on radio access lines may also be used to help counties and multi-county regions to offset their costs in coping with a higher volume of cellular calls, while new technology is being developed to better integrate cellular calls into enhanced 911 systems.

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

A new emphasis is placed on state assistance being available to either counties or multi-county regions.

EFFECT OF SENATE AMENDMENT(S): Some legislative findings are deleted.

The provision lowering the maximum state tax rate from 20 cents to 10 cents per switched access line on January 1, 2001 is deleted. As a result, the maximum tax rate remains permanently at 20 cents, but the actual tax rate is to be based on actual revenue needs and may vary from year to year.

The substitute bill extends the state enhanced 911 tax to apply to radio access lines. Revenues from the state tax on radio access lines are to be used for two purposes. One, revenues from the tax on radio access lines are to pay for planning and implementation of enhanced 911 for radio access lines. Two, revenues may also be used to help counties or multicounty regions to cover unfunded costs that can be shown to result from handling 911 calls from radio access line callers. The amended bill removes the extension of the state enhanced 911 tax to radio access lines, so there will be no tax revenues associated with radio access lines.

The amended bill says that state enhanced 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 enhanced 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 on an ongoing basis.

Language requiring state enhanced 911 tax forms to be provided by the Department of the Military is deleted. As a result, it is unclear whether the Department of Revenue or the Department of the Military is to provide these forms.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1997.

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.