



STATE OF WASHINGTON
MILITARY DEPARTMENT
EMERGENCY MANAGEMENT DIVISION

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August 29, 2011

Mr. David Danner
Executive Director/Secretary
Washington State Utilities and Transportation Commission
Chandler Plaza Building
1300 South Evergreen Park Drive SW
PO Box 47250
Olympia, Washington 98504-7250

**Re: Petition for 2012 Excise Tax E911 by the Washington Military Department,
Emergency Management Division E911 Program Office**

Dear Mr. Danner:

Under RCW 82.14B.030(5), the Military Department, Emergency Management Division (EMD), must recommend to the Commission the appropriate level of tax, based on a systematic cost and revenue analysis.

Details:

On January 1, 2011, the legislature, through SSB 6846, increased the state E911 tax from \$.20/device/month to \$.25/device/month for wireline and wireless services. The \$.25/device/month tax was also added to voice over internet protocol (VoIP) devices. The legislature also ruled prepaid wireless cards were also required to remit an E911 tax, but some of the service providers are delinquent in their payments or are not paying at all. Per the Department of Revenue, these providers may be subject to assessment and/or audit in the future.

Recommended Excise Tax Rate:

Because anticipated expenses for FY 2012 are greater than the anticipated revenue, the Military Department's Emergency Management Division, Enhanced 911 (E911) Program Office, recommends the state E911 excise taxes on prepaid wireless cards, wireline, wireless and VoIP devices continue at the current rate of twenty-five cents (\$0.25) per month in 2012.



Due to the increase in the E911 excise tax, the state collected \$8.1 million in wireline tax revenue in fiscal year (FY) 2011, \$1.0 million more than was collected in FY 2010. Even though the industry expects the number of wireline subscribers will continue to decline in 2012 as wireless and Voice over Internet Protocol (VoIP) phones displace traditional wireline services, we anticipate an increased wireline tax revenue of \$8.5 million in FY 2012. This is because the \$.25 tax will be collected for the entire 12 months of FY 2012 while it was in effect for only 6 months in FY 2011.

In FY 2011, the state collected \$15 million in wireless tax revenue, \$2.3 million more than was collected in FY 2010. This was due primarily to the \$.05/month/device tax increase. In FY 2012, the E911 Program Office anticipates the total tax collections for wireless to be \$15.6 million.

The Legislature, through SSB 6846, created the interconnected VoIP service line excise tax with an effective date of 1 January 2011. For the 6 month period of January 1, 2011 – June 30, 2011, the state collected \$64,000 in VoIP revenue. Anticipated revenues remitted as VoIP in FY 2012 are \$.5 million. The actual VoIP remittance should be approximately \$1.8 million, but many carriers report the VoIP tax remittance as “wireline”, so only a portion of the VoIP remittance shows up in this category. Department of Revenue is coordinating with VoIP carriers to correctly identify their remittances.

The following table summarizes FY 2011 revenues and projected FY 2012 revenues in the three categories.

	FY 2011 Revenues	FY 2012 Projections
Wireline	\$8,100,000	\$8,500,000
Wireless	\$15,000,000	\$15,600,000
VoIP	\$64,000	\$500,000
TOTAL	\$23,164,000	\$24,600,000

Due to reporting requirements in Washington Administrative Code (WAC) 118-66 that are unique to wireless, the State E911 Office will continue to track the financial components of the support provided to counties separately.

County Assistance

Per Revised Code of Washington (RCW) 38.52.545 and WAC 118-66-050, the state E911 Office expends E 911 funds in the following priorities to the counties:

1. To assure that 911 dialing is operational statewide, the state E911 office pays all network and database costs for those counties which have enacted the maximum local tax allowed under RCW 82.14B.030(1). Carriers bill the state E911 office directly for these costs.
2. To assist counties as necessary to assure that they can achieve a basic service level for 911 operations, the state E911 office, with advice from the E911

Advisory Committee, has established funding eligibility criteria for PSAP telephone system and basic service costs. These are the number 1 and 2 priority items included in eligible county contracts. In order to be eligible for state assistance, a county must have spent all its local revenue on eligible items.

3. To assist counties as practicable to acquire items of a capital nature appropriate to modernize 911 systems and increase 911 effectiveness, the state E911 office, with advice from the E911 Advisory Committee, has established funding eligibility for those capital items needed in a PSAP. These costs are the number 3 priority in the eligible county contracts.

For FY 2012 the E911 Program Office will continue to use the priority system in WAC 118-66-050 for county assistance. Based on the rules in RCW 38.52 and WAC 118-66, the E911 Program Office and the Policy Subcommittee of the E911 Advisory Committee have updated policies to assure the WAC provisions are being adhered to, the program budget is sustainable, and an equal level of quality service is provided within each county.

The State Program office evaluates County requests for financial assistance for both wireline and wireless components of the E911 system through a standardized application process. Counties verify expenses by providing payment documentation. Submission of operational data from each county is a contractual requirement. The State Program Office reimburses eligible items ranging from call taker salaries to computer-aided dispatch.

ESInet

In 2009 the state began migrating to an Internet Protocol (IP) based call management system, the Emergency Services Internet Protocol Based network, (ESInet). A contract was awarded to Qwest Communications for establishment of the ESInet with Intrado as the database provider. The first phase (completed in December of 2010) was a proof of concept migration of eight county public safety answering points (PSAPs) to the ESInet. The success of the proof of concept prompted implementation of the second phase, migration of the remaining thirty one (31) counties in 2011. As of August 24, 2011, over 97% (67 of 69) of the PSAPs have completed the migration to the ESInet and database; with all thirty-nine (39) counties expected to be migrated by September 30, 2011.

Planning is underway for the next phases of E911 system modernization. Areas being studied are consolidation of telephone equipment to enhance efficiency and reduce costs, implementation of advanced geographic information systems to improve call location information, and full implementation of i3 (the architecture capable of accepting text, video and future forms of communications) for all PSAPs. Implementation of the i3 standard will result in full digital-to-digital voice and data capability, which is the ultimate goal of the new IP network. This will allow non-voice emergency communications via text messaging, telematics, and other forms of data sharing.

Expense Distribution:

With an anticipated carryover fund balance of \$8.8 million, biennial revenues of \$49.6 million, and a \$1.5 million federal grant, the program will have \$59.9 million in funding for the FY 2011- 2013 biennium. Anticipated costs are \$54.9 million.

- County contracts: \$16.4 million
- Contracted statewide services \$ 1.3 million
(Interpreter translation, call taker training,
Americans with Disabilities Act training)
- E911 Program Office \$ 2.1 million
- Equipment Centralization Studies \$ 0.3 million
- NG911 Network \$31.2 million
- NG911 Equipment \$ 2.1 million
- Subtotal: \$53.4 million**
- NG911 Equipment (Federal Grant) \$ 1.5 million
- Total: \$54.9 million**

Enclosed is a chart depicting the distribution of expenses for the FY 2011-2013 biennium. The largest expense, \$31.7 million for NG911 network and database maintenance, is the cost to maintain the Emergency Services Internet Protocol Network (ESInet) and database information. An estimated \$2.3 million will be used for an NG911 telephone system equipment centralization pilot test during the last quarter of FY 2012 or first quarter of FY 2013 and for additional NG911 equipment purchases in FY 2013.

The spending authority approved by the Office of Financial Management is only \$46.6 million for the FY 2011-2013 biennium. Supplemental spending authority appropriations totaling \$6.8 million will be needed to enable payment of the ESInet recurring costs, the cost of the NG911 equipment centralization pilot test, and additional equipment centralization work in FY 2013.

The \$1.5 million federal grant through the National Highway Traffic Safety Administration for the upgrade of the 911 system will be used for NG911 ESInet recurring costs in FY 2012. This is an allowable expense according to grant guidance. Long term, the E911 program office anticipates NG911 implementation and equipment centralization investments will continue to decrease the fiscal year-end fund balance carryover until FY 2017.

Projects:

2012 projects of significance include the

- Qwest (CenturyLink) ESInet Contract project completion;
- "What's Your Location?" public education campaign;

- Development and implementation of an internet based secure contract and County reimbursement request system to expedite contract activities with counties (currently in a 7-county pilot test phase),
- The addition of an Information Technology (IT) Geographical Information System (GIS) specialist (approved during the 2011 legislative session) to implement a program for supporting the conversion of the static address files used in call routing to a dynamic Geographic Information System, and
- The addition of an Information Technology (IT) security specialist (approved during the 2011 legislative session) in the E911 Program Office to develop and implement a cyber security program for the state 911 network and related systems.

Standards:

The E911 Office continues to be actively involved in establishing technical and operational standards for the operation of 911 networks into the future. Next Generation 911 (NG911) will provide the capability for the Public Safety Answering Points (PSAPs) to receive incoming text, video and photo data in addition to the voice capability we currently have, but the transition to NG911 has just begun.

Washington has taken a giant step towards being NG911 capable by being the first to implement a statewide ESInet. Upgrades to enable the PSAPs to receive the NG911 information is the next step. Further upgrades to carrier network switching systems and vendors' wireless and VoIP information routing systems will be required before the data transfer capabilities of NG911 will be realized. In the meantime, the E911 Office and E911 County Coordinators are participating on national committees to help develop the industry standards needed to move forward.

Thank you for the continuing support that the Washington State Utilities and Transportation Commission provides to the State E911 Program. If you have any questions, please do not hesitate to contact this office at (253) 512-7011.

Sincerely,



Robert Ezelle
Washington State E911 Administrator

RGO:amo

Enclosure: Fiscal Chart

cc: Rebecca Beaton, Washington State Utilities and Transportation Commission

ENHANCED 911 BUDGET FY 2011-2013
\$54,903,889
(includes \$1,464,361 NHTSA Grant)

