



STATE OF WASHINGTON  
MILITARY DEPARTMENT  
EMERGENCY MANAGEMENT DIVISION

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August 29, 2013

Mr. David Danner, Chairman  
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 2014 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.

**Background:**

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. On April 16, 2013, the legislature passed HB1971, requiring prepaid wireless retailers to remit Enhanced 911 (E911) tax at the same level as the other classes of service on each retail transaction beginning January 1, 2014.

**Recommended Excise Tax Rate:**

Because anticipated expenses for Fiscal Year (FY) 2014 are greater than the anticipated revenue, the Military Department's Emergency Management Division, E911 Program Office, recommends the state E911 excise taxes on prepaid wireless, wireline, wireless and VoIP devices continue at the current rate of twenty-five cents (\$.0.25) per month in FY2014.

The state collected \$5.4 million in wireline tax revenue in FY2013. This is a \$1.3 million decline in wireline tax revenue as was collected in FY2012. The industry expects the number of wireline subscribers will continue to decline in 2014 as wireless and VoIP phones displace traditional wireline services.

In FY2013, the state collected \$16.3 million in wireless tax revenue, \$0.7 million less than what was collected in FY2012. This was due in part due to the migration of wireless subscribers from contract plans to more affordable pre-paid wireless plans, for which little excise tax was



collected or remitted. The industry expects this trend to continue. The passage of HB 1971 and the collection of pre-paid wireless excise tax by retailers should offset some of this decline.

In FY2013, the state collected \$2.4 million in VoIP tax revenue, \$0.2 million more than what was collected in FY2012.

In summary, the state collected a total of \$24,195,653 in excise tax revenue from all sources in FY2013, compared to \$26,007,764 collected in FY2012. This resulted in an overall decline in revenue of \$1,812,111.

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 E911 funds based on 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 Public Safety Answering Point (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 FY2014 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 to our citizens 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.

### **Next Generation 9-1-1 (NG911)**

In 2011 the state completed the transition from the legacy analog 911 network to an Emergency Services Internet Protocol Based network, (ESInet) state-wide. Work continues to fully implement NG911 required network features.

Planning is underway for the next phases of E911 system modernization. Areas being considered are consolidation of telephone equipment to enhance efficiency and reduce costs, implementation of advanced geographic information systems (GIS) 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 once fully implemented.

**Expense Distribution:**

With an anticipated carryover fund balance of \$14.5 million, and biennial revenues of \$51.1 million, the dedicated E911 fund will have \$65.6 million available in funding for the FY2013- 2015 biennium. Anticipated costs are \$62.0 million. The program will be seeking additional funding from other sources to cover anticipated costs.

• Legislative allocation to other programs	\$ 14.3 million
• E911 Network	\$ 21.5 million
• Statewide Services (Training, Interpretive services, TTY/TDD)	\$ 1.1 million
• County/WSP Contracts	\$ 14.5 million
• Public Education	\$ .14 million
• E911 Advisory Committee	\$ .05 million
• NG911 equipment modernization	\$ 8.0 million
• State E911 Program Costs	<u>\$ 2.5 million</u>

**Total Costs: \$ 62.0 million**

Enclosed is a chart depicting the distribution of expenses for FY2014. The largest expense, \$10.7 million for NG911 network and database maintenance, is the cost to maintain the Emergency Services Internet Protocol Network (ESInet) and database information. An estimated \$8.0 million will be made available to counties over the biennium for replacement of PSAP telephone equipment with NG911 compatible solutions.

The spending authority approved by the Office of Financial Management for the state E911 office is \$47.6 million for the FY 2013-2015 biennium.

Long term, the E911 program office anticipates NG911 implementation and equipment investments will continue to decrease the fiscal year-end fund balance carryover until FY 2018.

**Projects:**

2014 projects of significance include:

- ESInet end office reconnection completion;
- Completion of network third-party security audit;
- Implementation of PSAP network interface security solution;
- Replacement of customer premise telephone equipment in 20 county PSAPs

**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,

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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 provide to the State E911 Program. If you have any questions, please do not hesitate to contact this office at (253) 512-7468.

Sincerely,



Sigfred Dahl  
Washington State E911 Administrator

Enclosure: Fiscal Chart

cc: Rebecca Beaton, Washington State Utilities and Transportation Commission

