



**STATE OF WASHINGTON  
MILITARY DEPARTMENT  
EMERGENCY MANAGEMENT DIVISION**

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August 31, 2016

Mr. Steven V. King  
Executive Director and Secretary  
Washington State Utilities and Transportation Commission  
1300 South Evergreen Park Drive SW  
PO Box 47250  
Olympia, Washington 98504-7250

**Re: Petition for 2016 E911 State Excise Tax by the Washington Military Department,  
Emergency Management Division, State E911 Coordinator's Office**

Dear Mr. King:

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 June 30, 2013, the Governor signed HB1971 into law, 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**

Anticipated expenses for Fiscal Year (FY) 2018 are greater than the anticipated revenue. The Washington Military Department's (WMD) Emergency Management Division (EMD), State E911 Coordinator's 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, or per retail transaction in the case of prepaid wireless, in calendar year 2017.

The state collected \$3.9 million in wireline tax revenue in FY2016. This is a \$1 million decline in wireline tax revenue as was collected in FY2015 (\$4.9 million). The industry expects the number of wireline subscribers will continue to decline in 2016 as wireless and VoIP phones displace traditional wireline services.

In FY2016, the state collected \$15.7 million in wireless tax revenue. This is a \$1 million decline in wireless tax revenue as was collected in FY2015 (\$16.7 million). This was due in part due to the migration of wireless subscribers from contract plans to more affordable pre-paid wireless plans. The industry expects this trend to continue.

In FY2016, the state collected \$2.6 million in pre-paid wireless tax revenue, \$1.5 million more than what was collected in FY2015 (\$1.1M).

In FY2016, the state collected \$3.1 million in VoIP tax revenue, \$0.2 million more than what was collected in FY2015.

In summary, the state collected a total of \$25,218,905 in excise tax revenue from all sources in FY2016, compared to \$25,629,625 collected in FY2015. This resulted in an overall decline in revenue of \$410,720.

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 E911 excise tax 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 FY2017 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 at a minimum a baseline 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 2016 the state 911 office completed the acquisition of a new National Emergency Number Association (NENA) i3 standards-based Emergency Services Internet Protocol network, (ESInet). Construction of the new statewide 911 network has commenced and it is scheduled to be complete and in full service within 18 months.

A central feature of the new network incorporates a Geo-spatial call routing feature, which will replace the traditional automatic location information (ALI) database. This will allow for many advantages over the current legacy based ANI/ALI system. Additionally, the new network will incorporate enhanced cyber-security protections by design.

During the 18-month transition to the new network, it is necessary that the existing ESInet remain in service until all carriers and PSAPs are cut over to the new system. This will result in a temporary duplication of costs until the pre-existing network is fully decommissioned.

### **Expense Distribution**

With an anticipated carryover fund balance of \$8.9 million, and biennial revenues anticipated to be \$50.5 million, the dedicated E911 fund will have \$59.4 million available in funding for the FY2015- 2017 biennium. Anticipated costs are \$59.8 million. The program will be seeking additional funding from other sources to cover anticipated costs.

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|---|-----------------------|
| • Legislative allocation to other programs        | \$ 6.0 million        |
| • E911 Network & Database Maintenance             | \$ 19.5 million       |
| • Statewide Services (Training, public education) | \$ 1.0 million        |
| • County/WSP Contracts                            | \$ 19.2 million       |
| • NG911 equipment modernization                   | \$ 5.0 million        |
| • ESInet transition / Cybersecurity enhancements  | \$ 5.7 million        |
| • State E911 Program Costs                        | <u>\$ 3.4 million</u> |

**Total Costs: \$ 59.8 million**

The largest expense, \$19.5 million for E911 network and database maintenance, is the cost to maintain the Emergency Services Internet Protocol Network (ESInet) and database information for the entire state.

For the 2015-2017 biennium, the Washington State Legislature allocated \$6 million from the state E911 account to programs other than the state E911 Program. Of this, the Washington State legislature choose to appropriate approximately \$2.7 million of the WMD operating budget to fund agency operations with E911 account funding instead of GF-S. In addition, the legislature appropriated \$3.2 million from the E911 account for the Washington State Patrol, and \$130,000 to King County for a Cardiac Response Pilot Program.

The spending authority approved by the Office of Financial Management for the state E911 office is \$43.1 million for the FY 2015-2017 biennium. The E911 Program Office budget and spending authority request for the State Fiscal Years 2016 and 2017 as presented in the petition has been approved through the WMD budget process and the Washington State Office of Financial Management (OFM). All state and county E911 excise tax revenues are remitted by vendors directly to the Washington State Department of Revenue (DOR), which in turn distributes the appropriate funds to the respective government entities in accordance with RCW Chapter 82.14B.

Long term, the E911 program office anticipates Next Generation 911 (NG911) implementation and equipment investments will continue to decrease the fiscal year-end fund balance carryover until FY 2018.

### **Projects**

2017 projects of significance include:

- Implementation and build-out of ESInet II
- Implementation of PSAP network interface security solution(s);
- Replacement of remaining 911 customer premise telephone equipment in 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. Once fully implemented, NG911 will provide the capability for the PSAPs to receive incoming text, video and photo data in addition to the voice capability we currently have, but the transition to NG911 is still in its infancy.

Washington has taken another giant step towards being NG911 capable state-wide by being the first to implement a statewide NENA i3 standards-based ESInet. Upgrades to enable the PSAPs to receive the NG911 information is progressing. 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. The E911 office has begun initial coordination with the state's wireless and VoIP providers. 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.

Mr. Steven V. King  
Aug 31, 2016  
Page 5 of 5

Sincerely,

Sigfred Dahl  
Washington State E911 Administrator

cc: Rebecca Beaton, Washington State Utilities and Transportation Commission