

Public Hearing:
B 3517
Tapes 118-119 yB

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

JULY 1, 1993 8:00 AM HEARING ROOM 170 STATE CAPITOL
BUILDING

Members Present: Representative John Schoon, Chair
Representative Ron Adams
Representative Tony Federici
Representative Delna Jones, Ex Officio
Representative Gail Shibley
Representative Greg Walden

Witnesses Present: David Yandell, Oregon Emergency Management
Gary Bauer, Oregon Independent Telephone
Assoc.

Sally Smith, Columbia County 9-1-1
Senator Ron Cease, District 10
Gary Wilhelms, US West
Scott Girard, Oregon Public Utilities
Commission (OPUC)
Bob Delaney, Wasco County 9-1-1
Pamela Johnson, Southern Oregon Regional
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Diane Brandt, Washington County Consolidated 9-1-1
Staff: Steve Meyer, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 118 SIDE A

004 CHAIR SCHOON called the meeting to order at 8:-06.

008 CHAIR SCHOON opened the public hearing on HB 3517, which
imposes a tax equal to 85 cents per month on each local exchange
access service during the period from July 1, 1993, to January 1,
2000.

010 STEVE MEYER introduced Exhibit 1, HB 3517-1, and gave an overview of the
bill. At the present time, the 9-1-1 emergency communications operates on a
5 percent rate applied to the exchange access services. This bill proposes
to set a flat fee of 85 cents per month.

Discussion and questions.

042 DAVID YANDELL stated that Oregon was the sixth state to adopt a
statewide 9-1-1 service. Last session, the Legislature approved

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a new mandate, the implementation of lifesaving enhanced 91-1 telephone
service by January 1, 2000. During the development of this mandate, an
extensive discussion and debate occurred surrounding the funding required
to meet the new goal. He reiterated that HB 3517 is not an attempt to raise
new revenue, but an attempt to stabilize and restore the revenue stream

created last session. Some people will say that moving to a flat fee is unfair and promotes an equity problem between the metro and rural areas of the state. However, he believes the flat fee is the most equitable plan at this time.

Discussion and questions.

262 DAVID YANDELL addressed the equity issue by stating that the cost for implementing 9-1-1 in the rural areas is considerably higher because of distances involved and the cost of providing a high level of service on a uniform basis. Some communities feel that they are not getting fair service under the present funding. The 9-1-1 service is available throughout the state and is an insurance policy for the citizens.

Discussion continued on equity issue.

375 GARY BAUER stated that FAX lines are exchange access lines; cellular phones are not.

TAPE 119 SIDE A

001 GARY BAUER stated that the industry is sympathetic to the funding issue faced by the emergency management agencies. However, the majority of telephone companies are concerned about the effect this legislation will have on various customer groups. The industry agrees that some business customers will pay less; however, not all business customers will see a decrease. Although the telephone industry is not opposed to a flat fee, they believe that the committee should be aware of the tax effects this will have on customers. Companies agree that the 9-1-1 system needs adequate funding, and one possible solution would be to assess those customers who can access 9-1-1 regardless of the communication system they use to make and receive calls.

072 DAVID YANDELL testified that a committee, consisting of the Department of Revenue, State Treasury, PUC, and the Executive Department, has been created to deal with fiscal problems.

Discussion and questions.

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151 DAVID YANDELL responded to a question by CHAIR SCHOON by stating that first and foremost concern of local government was to cover the telephone related expenses of line charges, termination equipment, and everything associated with 9-1-1 telephone services. Many of the public safety answering points in Oregon have broken out the 9-1-1 system because of related costs which include equipment and call takers.

Discussion and questions interspersed.

221 CHAIR SCHOON recessed the meeting at 8:51 and reconvened at 10:15.

223 SALLY SMITH testified that the Columbia County 9-1-1 District supports HB 3517 as a way to find funding stability. Some communities in that district have had trouble paying the 9-1-1 user fee. For this reason, the district organized a tax base to cover these charges. Property tax reductions this past year have effected that tax base so that now the county is facing a crisis. As a result, the county has reduced the number of dispatch centers to one. She believes that this bill would provide a more permanent funding.

Discussion and questions.

TAPE 118 SIDE B

001 Discussion continued with SALLY SMITH.

044 CHAIR SCHOON recessed the meeting at 10:32 and reconvened at 11:23.

046 SEN. CEASE supported the access fee because the percentage fee has failed to fund the 9-1-1 system adequately. He believes it is an equitable method because it is the individual customers who would benefit the most. He stated that the flat fee would provide funding stability that is drastically needed and that the public would support a statewide 9-1-1 system. He also believes cellular phones users should be included.

Discussion and questions.

158 BOB DELANEY (with DIANE BRANDT and PAMELA JOHNSON) testified that any funds would be welcome because revenues have decreased 12 percent this past fiscal year. Changing the 9-1-1 tax structure from a percentage to a flat rate, stabilizes the revenue flow to the local jurisdictions. He feels that HB 3517 is a revenue neutral

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bill and, if passed, would bring telephone tax revenue to a comfortable level of stability. Without this new revenue, current trends indicate a continuation of rate reductions and refunds resulting in further loss of 9-1-1 tax revenue.

201 PAMELA JOHNSON presented Jackson County's needs and stated the revenues needed to support the county's 9-1-1 emergency telephone system dropped an unanticipated 14 percent due to PUC rulings. During the same time period, the costs to maintain the equipment, provide a back-up system, and convert to language line services, increased the costs over 13 percent. Public safety relies on an efficient and well maintained 9-1-1 system.

227 DIANE BRANDT stated that her county has realized a slight increase in revenue due to increases in population and increases in basic telephone access costs. Although the county has seen this increase in revenue, their operating costs have increased approximately five percent each year. The county's needs now exceed the revenue by \$84,000. With the proposed change of a percentage tax to a flat fee, 9-1-1 revenue would stabilize. Also, the flat rate would mean an equal tax per phone line--all subscribers would pay the same for this statewide service. If revenue is not found, service levels would be reduced.

Discussion and questions.

TAPE 119 SIDE

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001 Discussion continued with BOB DELANEY, PAMELA JOHNSON, and DIANE BRANDT.

047 GARY WILHELMS (with SCOTT GIRARD) testified that his company supports this bill because it would provide needed stability. However, this bill will be a short-term fix because the long-term future is very shaky. Very year, telephone companies are faced with new regulations which can cause fluctuations in revenue because of line growth, rate growth, etc. With the entrance of new players and increasing local competition, the definition of exchange access lines becomes more and more blurred. Finally, the 91-1 in this state has set the pace for other states to follow. Also, there has been very little negative reaction from the public for the funding of 9-1-1.

123 SCOTT GIRARD stated that the PUC supports the flat fee of HB 3517. The Commission strives to find customers the lowest rates

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possible, but at the same time recognizing that the refunds and~ reduction in rates reduces 9-1-1 revenues. PUC sees the flat rate as a means of counteracting these fluctuations.

Discussion and questions.

208 GARY WILHELMS responded to a question by REP. SHIBLEY by stating that his company has to refund any tax windfall U.S. West would realize under Measure 5. All utilities must refund to customers any savings they receive from reduced property taxes.

He testified that the trend for local service rates in the future is downward.

256 SCOTT GIRARD stated that telephone refunds would depend on the number of access lines. Business service rates are higher; however, they receive the same refund rates as residential owners.

Discussion and questions interspersed.

343 CHAIR SCHOON adjourned the meeting at 12:12.

Mary Gottlieb, Committee Assistant

Kimberly Taylor James, fice Manager

EXHIBIT SUMMARY

1. Proposed Amendments to HB 3517-1, Steve Meyer, Legislative Revenue Office.
2. Fiscal Analysis of Proposed Legislation, HB 3517, Legislative Fiscal Office.
3. Testimony Before the House Revenue and School Finance Subcommittee on Income Taxation, David C. Yandell, Oregon Emergency Management.
4. Hearing on HB 3517 Before the House Revenue and School Finance Committee, Gary Bauer, Oregon Independent Telephone Association.

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5. Testimony Before the Income Subcommittee for the Revenue and School Finance Committee for HB 3517, Pamela S. Johnson, Southern Oregon Regional Communications.

6. Revenue and School Finance Income Subcommittee HB 3517, Diane Brandt, Washington County consolidated Communications Agency.

7. Written Testimony, HB 3517 - 9-1-1 Funding, of Bill Morrisette, Mayor of Springfield, Oregon.
8. Written Testimony, HB 3517, of Valerie S. Paulson, League of Oregon Cities.

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