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April 3, 2013

To: Rep. Phil Barnhart, Chair
Rep. Vicki Berger, Vice-Chair
Members of the House Revenue Committee

Fry: Craig Honeyman, Legislative Director, League of Oregon Cities

Re: HB 3317, 9-1-1 Taxes

Good morning. My name is Craig Honeyman, Legislative Director for the League of Oregon Cities. The League represents all 242 cities in Oregon. I am pleased to have the opportunity to express the League's support for HB 3317, extending the sunset date on the tax which supports the state's 9-1-1 emergency communications system.

The revenues derived from this tax are the backbone of the 9-1-1 system. In the 2011-12 biennium the tax has provided cities with \$13 million, net of administrative costs. The pass through of these funds to the governing authority of the 9-1-1 jurisdiction serving Oregon's cities supports the planning, installation, maintenance, operations and improvement of the 9-1-1 network.

Yet the tax only covers 30% of system costs – local governments pick up the rest. Any reduction in or cessation of this tax is potentially devastating to local government's ability to keep up with technology improvements and to operate a system so critical to the safety of Oregonians.

I also want to point out that there is an important omission in terms of how the state administers the 9-1-1 tax. That is purchasers of prepaid wireless devices currently do not pay the tax despite the fact that they can and do access the emergency communications system using those devices. Beyond the potential revenue benefits that would accrue, this really is a matter of equity. Prepays should pay their fair share. And, by the way, the revenue impact is probably not insignificant as it is our understanding that up to 25% of wireless customers use prepaid devices.

This is not a radical notion, but rather, I would suggest, a simple and overdue clarification that will help ensure stable funding for the 9-1-1 system. As technology changes so too should the basis by which users pay the fees required to run the systems that benefit them. For example, in the transportation sector many of your colleagues are currently working on ways to assure that new-technology, high mileage automobiles pay their fair share of road maintenance costs.

One final point relative to the taxation of prepaids: the League's preferred collection mechanism is a non-point of sale methodology. It is our understanding that the costs of administration of such a system are significantly lower than the point of sale approach being advocated by others. If we are going to levy this tax, let's do it in the fairest, most efficient and least costly manner possible.

In conclusion, we are dealing with a critical but distressed system here. Demand and technology improvements are putting strains on the emergency communications system and threatening its ability to keep up.

This is about public safety, which to the cities I represent, is job #1. Let's extend the 9-1-1 tax and, in so doing, amend the bill to include prepaids.

Thank you.