

Analysis

Item 16: Military Department

Emergency Communications Tax

Analyst: Julie Neburka

Request: Increase Other Funds expenditure limitation by \$14,254,405 for the Military Department, Office of Emergency Management to accommodate the increase in 9-1-1 Emergency Communications Tax revenues and expenditures resulting from HB 2449 (2019).

Analysis: The Office of Emergency Management (OEM) ensures the reliable operation of the 9-1-1 emergency communications system in Oregon. It maintains and upgrades the digital network and equipment used by local Public Safety Answering Points (PSAPs) to direct emergency calls, and allocates Emergency Communications Tax revenues among PSAPs. The Emergency Communications Tax (ORS 403.200-250) is assessed on a monthly basis for each consumer or retail subscriber who has telecommunications service or interconnected Voice over Internet Protocol (VOIP) service, or per retail transaction for prepaid wireless telecommunications service, and is dedicated to funding the state's emergency communications system. Quarterly, revenues are distributed as follows:

- 62% to the state's 43 PSAPs for operations;
- 35% to an Enhanced 9-1-1 Account, to pay for network, database, equipment, and other costs associated with providing statewide 9-1-1 service;
- No more than 2.4% of the cash balance in the Emergency Communications Account to OEM for program administration; and
- No more than 0.6% of revenue to the Department of Revenue for tax collection and processing.

Among other changes to administration of the Emergency Communications Tax, HB 2449 (2019) increased the tax rate from \$0.75 to \$1.00 per subscriber per month for calendar year 2020, and from \$1.00 to \$1.25 per subscriber per month for calendar year 2021 and thereafter. The Legislative Revenue Office estimated the tax increases would generate an additional \$14.6 million in the second half of the 2019-21 biennium, but due to timing of the bill's passage this amount was not included in OEM's 2019-21 legislatively adopted budget. The additional expenditure limitation is needed at this time in order to pass through the increased revenues to PSAPs and to allow increased expenditures from the Enhanced 9-1-1 Account.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase Other Funds expenditure limitation by \$14,254,405 for the Military Department, Office of Emergency Management to accommodate the increase in 9-1-1 Emergency Communications Tax revenues and expenditures resulting from HB 2449 (2019).

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Oregon Military Department
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Request: Increase Other Funds expenditure limitation by \$14,254,405 for the 9-1-1 program in the Oregon Military Department Office of Emergency Management (OEM).

Recommendation: Approve the request.

Discussion: During the 2019 Legislative Session, the Legislature passed House Bill 2449, which was a phased in approach to increasing the 9-1-1 tax. This tax is assessed on consumers for each wireless device and to retail subscribers who have telecommunication services or interconnected Voice over Internet Protocol service. The first phase of the increase was effective January 1, 2020 and raises the tax from \$0.75 to \$1.00. The second incremental increase becomes effective January 1, 2021 and will raise the tax from \$1.00 to \$1.25.

With the increase in revenue OEM will need the additional Other Funds expenditure limitation to distribute funding to the 43 Public Safety Answering Points for the operations of 9-1-1 calls and for costs associated with equipment needs to providing state-wide 9-1-1 services.

Legal Reference: Increase the Other Funds expenditure limitation established by Chapter 534, section 2(3), Oregon Laws 2019, for the Oregon Military Department, Office of Emergency Management by \$14,254,405 for the 2019-21 biennium.



OREGON MILITARY DEPARTMENT
JOINT FORCE HEADQUARTERS, OREGON NATIONAL GUARD
DEPUTY DIRECTOR
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November 4, 2020

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Emergency/Request

The Oregon Military Department (OMD) requests \$14,254,405 increase in Other Funds limitation for the 9-1-1 program, in the Office of Emergency Management (OEM), to accommodate the increase in expenditures resulting from the growth in 9-1-1 emergency communications excise revenue. The requested limitation is sufficient to meet program needs through the 2019-21 biennium.

Agency Action

The 2019 Legislature passed House Bill 2449, which increased the tax rate incrementally from \$.75 to \$1.00 for calendar year 2020 and then permanently to \$1.25 effective January 1, 2021. The tax is assessed on a monthly basis for each consumer or retailer subscriber who has telecommunications service or interconnected Voice over Internet Protocol service, or per retail transaction for prepaid wireless telecommunications service. Laws pertaining to this tax are found in ORS 403.200 – 403.250.

Effective January 1, 2021, the 9-1-1 emergency communications excise revenue is distributed as follows:

- Sixty-two percent (62%) of the revenues are distributed to the state's 43 Public Safety Answering Points (PSAPs) for operations to receive and handle 9-1-1 calls.
- Thirty-five percent (35%) of the revenues are deposited into the Enhanced 9-1-1 Account to pay costs associated with the Enhanced 9-1-1 program which include network, database, equipment and other costs related to providing state-wide wire line and wireless 9-1-1 services.

- Actual costs or no more than 2.4% maximum of the cash balance in the Emergency Communications Account may be used by the Office of Emergency Management to pay for OEM 9-1-1 program administration.
- Up to six-tenths of one percent (.6%) of the revenues are distributed to the Department of Revenue for administrative processing cost recovery.

Action Requested

Increase Other Funds limitation in the Office of Emergency Management by \$14,254,405.

Legislation Affected

Emergency Management Other Funds – Section 2 (3), Chapter 534, Oregon Laws 2019.

Thank you for your consideration of this request.

Sincerely,



David A. Stuckey
Deputy Director
Oregon Military Department