



## STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	<b>03/11/02</b>	Bill No:	<b>AB 669</b>
Tax:	<b>Emergency Telephone Users Surcharge</b>	Author:	<b>Hertzberg</b>
Board Position:		Related Bills:	<b>AB 2837 (2000)</b> <b>AB 1477 (2001)</b>

### BILL SUMMARY

This bill would allow every local public agency to establish a nonemergency telephone system within its respective jurisdiction with the digits 3-1-1 being the primary telephone number within the system. This bill would also increase the emergency telephone users surcharge in order to fund the State Nonemergency Telephone System.

### ANALYSIS

#### Current Law

Under existing law, Section 41020 imposes a surcharge on amounts paid by every person in the state for intrastate telephone communication services in this state.

Section 41030 requires the Department of General Services (DGS) to annually determine, on or before September 1, a surcharge rate that it estimates will produce sufficient revenue to fund the current fiscal year's 9-1-1 costs. The DGS is required to notify the Board of Equalization (Board) of the new rate, which is fixed by the Board to be effective with respect to charges made for intrastate telephone communication services on or after November 1 of each year. The current surcharge is 0.72% of the amounts paid for intrastate telephone services in this state.

Section 41032 requires the Board to publish the new rate in its minutes each year, no later than September 15. The Board is also required to notify by mail every service supplier registered with it of the new rate.

The surcharge imposed is collected by service suppliers, as defined by Section 41007, and remitted to the Board for deposit in the State Treasury to the credit of the State Emergency Telephone Number Account in the General Fund.

#### Proposed Law

This bill would add Article 6.6 (commencing with Section 53126) to Chapter 1 of Part 1 of Division 2 of Title 5 to the Government Code to allow every local public agency to establish a nonemergency system within its respective jurisdiction with the digits 3-1-1 being the primary nonemergency telephone number within its system.

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This bill would also amend Sections 41020 and 41030 of the Revenue and Taxation Code to increase the emergency telephone users surcharge in order to fund the State Nonemergency Telephone System. The increase, not to exceed one-quarter of one percent, would be imposed on amounts paid by every person within the jurisdiction of a participating local public agency whose plan for a 3-1-1 nonemergency telephone system is submitted.

### **In General**

Under existing law, Article 6 (commencing with Section 53100) of Chapter 1 of Part 1 of Division 2 of Title 5 of the Government Code requires every local agency to maintain within its respective jurisdiction, an emergency telephone number system with the digits 9-1-1 being the primary telephone number within the system. Additionally each public agency or public safety agency is required to maintain a separate number for nonemergency telephone calls.

In recent years, the efficient and effective use of the 9-1-1 emergency telephone system has been compromised by an increase in nonemergency calls to that number. In response to the increase in nonemergency calls to the 9-1-1 emergency response number, the Legislature passed and the Governor signed Assembly Bill 1198 (Ch. 887, Stats. 1997). That bill provided funding for a pilot project to evaluate two different approaches to reducing the number of nonemergency calls, which include:

- The use of 3-1-1 as a means of reaching local public safety agencies for nonemergency assistance.
- The improved marketing of the use of, and access to, existing nonemergency telephone numbers for nonemergency assistance.

The DGS, Telecommunications Division, selected San Jose and San Diego as the pilot cities because they shared similar population size and demographics and because their automated 9-1-1 equipment could easily report a variety of 9-1-1 call statistics. Both cities confined access to their nonemergency numbers to their own city limits and supported the use of the nonemergency number only for communication between the public and law enforcement.

The preliminary conclusion of the pilot project report was that the 3-1-1 approach to reducing nonemergency calls had a greater positive impact on 9-1-1 than the use of improved marketing of existing nonemergency telephone numbers. The study also suggested that the Legislature consider whether focusing resources on other factors, such as emergency call center staffing, would have a similar beneficial impact on 9-1-1.

In November 2000, the DGS submitted a final draft report on the results of the pilot program to the Governor and the Legislature. The report concluded, in part, that "the data collected from the Nonemergency Number Pilot Project was inconclusive. Until more conclusive information is presented, the state should not invest in a nonemergency telephone number program to be implemented statewide."

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### Background

Two measures to allow every local public agency to establish a 3-1-1 nonemergency telephone system within its respective jurisdiction have previously been introduced by Assembly Member Hertzberg. Assembly Bill 2837, introduced in the 2000 Legislative Session, on which the Board took an "Oppose" position, was passed by the Legislature, but vetoed by the Governor. The Governor's veto message states, in part, the following:

"This bill authorizes local public agencies responsible for providing a public safety answering system to establish a local nonemergency telephone system. It would designate "311" as the primary nonemergency telephone number for that system. It requires the Department of General Services to establish operational standards, set rates, and administer this service. The measure further provides for local funding of each regional 3-1-1 service.

While the concept for a separate nonemergency telephone system is a good one, the potential costs for this program are unknown at this time. Without pilot projects to provide the data necessary to estimate costs for this program, it would be premature to approve this measure."

Assembly Bill 1477 was introduced in 2001 and was also opposed by the Board. That measure passed the legislature and was vetoed by Governor Davis. The veto message read, in part:

"It would be premature to implement this program at this time. The Department of General Services (DGS) has conducted research on the implementation of nonemergency pilot projects and has recommended that the State not invest in a 311 system without conclusive information regarding the relative benefits of such a program. Because this bill would authorize an additional surcharge to support this program, there should be significant justification to support the proposed level of the increase. None of the pilot studies have been able to provide this justification. In addition, local governments are already authorized to impose telephone surcharges on users within their jurisdictions, and may use those revenues to establish nonemergency telephone systems. To the extent that individual communities determine a 311 program to be beneficial, local jurisdictions may implement such programs under existing law.

Finally, funding for the implementation and development of technical and operational standards for a 311 system are not included in this bill. For these reasons, I cannot sign this bill. "

### COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and is intended to help improve the 9-1-1 emergency response system by reducing the number of calls received for nonemergency purposes. The author believes the demonstrated success of the pilot project justifies establishing a 3-1-1 nonemergency telephone number program.

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2. **Commercial Mobile Radio Service (CMRS) providers.** This bill would exempt Commercial Mobile Radio Service providers (cellular telephone service providers) from Article 6.6 (commencing with Section 53126) of the Government Code (State Nonemergency Telephone System) until January 1, 2007. This provision is intended to exempt cellular telephone service providers from providing 3-1-1 service on cellular telephones, and to exempt them from the increased (3-1-1) surcharge for intrastate cellular telephone communication services. However, the bill as currently written does not accomplish the author's intent to exempt such services from the increased (3-1-1) surcharge.
3. **When would the surcharge be increased to fund an approved 3-1-1 system?** This bill would require the DGS to determine annually, on or before September 1, the increase in the surcharge rate that it estimates would be needed to produce sufficient revenue to fund the current fiscal year's 3-1-1 costs for all the local public agencies whose applications for 3-1-1 systems have been *approved*. This bill also provides that the DGS shall approve a plan if it is determined that the plan is in conformance with the minimum technical and operational standards DGS is required to establish on or before January 1, 2003.

Based on staff's discussion with the DGS, it is unclear when the technical and operational standards for the development of the coordinated 3-1-1 system would be established if this bill is chaptered. It is possible for the surcharge rate to be increased for the period beginning November 1, 2003 if the technical and operational standards are established and a 3-1-1 plan approved before the September 1, 2003 deadline for determining such an increase.

However, if the DGS does not establish the technical and operational standards until January 1, 2004, the earliest the DGS could increase the surcharge rate to fund the 3-1-1 costs would be September 1, 2004. This increased rate would become effective with respect to charges made for intrastate telephone communication services on and after November 1, 2004.

4. **Imposition of the increased surcharge.** This bill provides that the DGS would determine the increase needed in the surcharge rate to produce sufficient revenue to fund the 3-1-1 costs for each local public agency whose application for a 3-1-1 system is approved. The increased surcharge, however, would be imposed upon persons of a participating local public agency whose 3-1-1 plan has been submitted. Accordingly, if a 3-1-1 plan submitted is determined not to comply with the minimum standards established by the Division of Telecommunications, the increased surcharge would still be imposed upon persons within the jurisdiction of the local public agency submitting the application.

Also, when would the increased surcharge be imposed upon persons within a jurisdiction of a participating local agency whose plan for a 3-1-1 system is submitted? As currently written, it appears that the surcharge could be imposed immediately even though the increased surcharge determined by the DGS for that period was based on revenues needed to fund 3-1-1 costs for each local public agency whose application has been approved.

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The author may want to consider amending Section 41020 of the Revenue and Taxation Code to impose the increased surcharge upon persons within the jurisdiction of a participating local public agency whose plan for a 3-1-1 system has been approved and costs were used to determine the current increased surcharge.

5. **Role of the Board of Equalization.** This bill would increase the emergency telephone users surcharge (9-1-1) in order to fund the State Nonemergency Telephone System. The Board would be responsible for collecting the increased surcharge from service suppliers, such as Pacific Bell, and depositing such amounts into the State Treasury to the credit of the State Nonemergency Telephone Number Account in the General Fund, which this bill creates. The Board is currently responsible for collecting the 9-1-1 surcharge from service suppliers for deposit in the State Treasury to the credit of the State Emergency Telephone Number Account in the General Fund. As such, enactment of this bill would not materially affect the Board's administration of the Emergency Telephone Users Surcharge Law.
6. **Suggested technical amendment.** Proposed Section 41020(b) provides that the increase in the surcharge shall be imposed on amounts paid by every person within the jurisdiction of a participating local public agency, whose plan for a 3-1-1 system is submitted pursuant to subdivision (a) of Section 53127.5 of the Government Code. Section 53127.5 of the Government Code, however, addresses the establishment of technical and operational standards, not plans submitted for a 3-1-1 system. Accordingly, that reference should be corrected.

In addition, Section 41030(b) generally provides that the DGS would determine each increase needed in the surcharge rate needed to fund current fiscal years 3-1-1 costs for each local public agency whose *application* for a system is approved pursuant to Section 53128 of the Government Code. Section 53128 of the Government Code refers to an approval of a plan, not an application, submitted by a local public agency. Accordingly, Section 41030(b) should replace the word "application" on page 8, line 12, with "plan."

## **COST ESTIMATE**

The Board would incur additional costs to revise returns, program computers, process returns, train staff and answer inquiries from the public. A detailed cost estimate is pending.

According to the 2002-03 Governor's Budget, the Board is currently budgeted \$755,000 for fiscal year 2002-03 to support administration of the surcharge to fund the 9-1-1 emergency telephone number system.

## **REVENUE ESTIMATE**

This bill would increase emergency telephone user surcharge revenues; however, the amount of the increase would be more appropriately determined by the DGS. Pursuant to this bill, the DGS would be required to determine any increase in the surcharge that it estimates would produce sufficient revenue to fund the current fiscal year's 3-1-1 costs

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for each local public agency whose application for a 3-1-1 nonemergency telephone system is approved.

As a point of reference, surcharge revenues, which fund the 9-1-1 emergency telephone number system, were \$121,640,000 for fiscal year 2000/01. The surcharge was collected from California service users by 575 registered telephone service suppliers.

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