# TESTIMONY OF THE COUNTY OF KAUA'I DEPARTMENT OF FINANCE

### TO THE HOUSE COMMITTEE ON FINANCE

## TWENTY-FIFTH LEGISLATURE REGULAR SESSION OF 2009

March 3, 2009 11:00 a.m.

TESTIMONY ON HOUSE BILL NO. 1014 HD2, RELATING TO ENHANCED 911 SERVICES.

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Eric Knutzen, IT/Communications and Projects, Department of Finance, County of Kaua'i (County), testifying in opposition to portions of House Bill No. 1014 HD2.

The County objects to removing the requirements in Hawai'i Revised Statutes §138-5 that public safety answering points must be reimbursed for the costs of providing services, and that those reimbursements must be two-thirds of the remaining balance of the fund after expenses of the administering board are paid.

For Kaua'i, funds from the Wireless E911 fund are being applied to ensure that location information is available to our emergency service providers, such as firefighters and EMTs. The removal of the mandatory allocation may result in lower allocations, which would jeopardize the ongoing levels of service and hinder the deployment of necessary upgrades to the service. Therefore, we request that you maintain the E911 funding to Kaua'i at a level which allows us to sustain our 911 capability and deliver emergency services promptly and accurately.

As currently drafted, the Bill also expands the representation of communication service providers on the board. We believe the representation of these providers should be limited and the majority of the board should consist of State and county representatives, to prevent potential conflicts of interest.

Thank you for the opportunity to present testimony on this matter.

#### DEPARTMENT OF INFORMATION TECHNOLOGY

#### CITY AND COUNTY OF HONOLULU

MUFI HANNEMANN MAYOR



GORDON J. BRUCE DIRECTOR & CIO

March 2, 2009

The Honorable Marcus R. Oshiro, Chair and Members of the Committee on Finance State House of Representatives State Capitol Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 1014, HD2

Relating to Wireless Enhanced 911 Service

As Director of the Department of Information Technology and representing the Oahu PSAP's, I hereby submit the following testimony to HB1014 HD2:

- We DO support the reduction of the surcharge from 66 cents to 46 cents assuming that the 46-cent charge will apply to landline, VOIP, and any other communication services able to contact 911 call centers as proposed;
- 2. We DO NOT support repealing the provision that surcharge funds are not general funds of the state. Allowing the State to treat the 911 funds as general fund contradicts the original specific intent of the fund. The funds were paid by wired and wireless telephone users for the specific purpose of ensuring their access to the 911 call centers in the event of emergencies. The repeal of this provision will open the door for the State to use the 911 funds for purposes such as balancing the State budget, supporting non-911 services. More importantly, a raid of the 911 fund will result in the inability of all 911 dispatch centers to deploy the necessary technologies and training and ultimately jeopardize the safety of the citizens of the State of Hawaii
- We DO support repealing the requirement that expenses related to overhead, staffing and other day-to-day expenses of operating 911 call centers be paid through the general fund of the respective

counties. This change will enable the counties to deploy the technologies in a faster manner;

- We DO support repealing the provision that reserving two-thirds of surcharge funds for reimbursement of 911 call centers and one-third for wireless service providers;
- We DO support renaming the Wireless Enhanced 911 Board to the Enhanced 911 Board, and expanding their board's oversight of all 911 related activities:
- 6. We DO support adding representatives of the Public Utilities Commission, voice over Internet protocol providers, and local exchange carriers to the Board, and recommend a representative from the Department of Commerce & Consumer Affairs also be added:
- We DO support increasing the authority of the Board to spend surcharge funds, not just to reimburse costs of implementing wireless enhanced 911 service, but to fund operation of enhanced 911 system generally;
- We DO support reinstatements of proxy voting repealed by Act 22, SLH 2008;
- We DO support prohibiting conflicts of interest for third-party accounting firm, consultant, or other third parties hired to perform administrative duties for the Board.

Thank you for the opportunity to testify.

Sincerely.

Gordon J. Bruce Director and BIO

# HB 1014 HD2 – Agenda Two RELATING TO ENHANCED 911 SERVICES JIM LACLAIR VICE PRESIDENT – NETWORK OPERATIONS HAWAIIAN TELCOM March 3, 2009

Chair Oshiro and Members of the House Committee on Finance

I am Jim LaClair, testifying on behalf of Hawaiian Telcom on HB 1014 HD2, "A BILL FOR AN ACT RELATING TO ENHANCED 911 SERVICES." Due to the importance of enhanced 911, or E911, services in the State of Hawaii and as the current wireline provider of E911 services, Hawaiian Telcom opposes several provisions of this bill.

HB 1014 HD2 seeks to alter the current E911 surcharge structure. It would combine the wireless and wireline E911 surcharges, currently separated, expand and modify the responsibilities of the current wireless E911 board into a generic E911 board for both wireline and wireless carriers, add on additional members representing the PUC, CLEC, and VoIP providers, and add conflict of interest language to the board administrator. It also reduces the current 66-cent wireless surcharge for wireless carriers but mandates an <u>increase</u> in surcharge for current wireline customers from 27 cents to 46 cents.

Hawaiian Telcom is concerned that HB1014 HD2's proposed changes to the surcharge and reimbursement rules may cause Hawaiian Telcom significant financial harm. HB1014 HD2 mandates an undesired increase from 27 cents to 46 cents in surcharge specific to Hawaiian Telcom's current wireline customers. In this highly competitive market, this mandate will add another financial obstacle to our company and further uneven the level playing field we seek as the only full-regulated company competing against wireless and VoIP providers that have very little or no state regulation. We are also concerned that HB 1014 HD2, while mentioning the inclusion of

Voice over Internet Protocol (VoIP) providers, lacks mechanics on how these customers can even be identified to assess a surcharge. Since Hawaiian Telcom is supporting the wireline community with the 27 cent surcharge, it appears the excess 19 cents from the 46 cent surcharge will be used to subsidize E911 implementation costs for VoIP users. This inequity allows VoIP providers to keep their costs lower by avoiding paying their fair share of costs to provide public safety services, places this burden on their competitors, and yet allows them to receive the benefits. Ironically, these same providers, as newly-added members to the board, will be allowed to make decisions on the use of a fund that is fully-funded by its competitors' customers.

Hawaiian Telcom has an extensive dedicated E911 network that includes equipment and computers at every Public Service Answering Point, dedicated E911 switching equipment used by both wireline and wireless customers, and a statewide E911 network infrastructure. Hawaiian Telcom developed a surcharge approved by the Hawaii Public Utilities Commission based on cost studies that capture the costs associated with the wireline Enhanced 911 service. This model includes direct costs, indirect costs and allocated costs. Currently, Hawaiian Telcom keeps and administers the surcharge that it collects from its customers. HB1014 HD2 would require Hawaiian Telcom to transfer all wireline E911 surcharges over to the Enhanced 911 Board for control and management. The E911 reimbursement rules in HB1014 HD2, however, do not clearly or adequately allow Hawaiian Telcom reimbursement for all the costs necessary to provide statewide Enhanced 911 service. Failure to provide Hawaiian Telcom a complete reimbursement mechanism while still requiring the transfer of the wireline surcharge when coupled with the non-competitive increase in the wireline surcharge risks causing unnecessary financial harm to our company.

Hawaiian Telcom respectfully requests your committee to amend HB 1014 HD2 to the version contained in HB1014 HD1 (attached).

Thank you for the opportunity to testify.

## A BILL FOR AN ACT

RELATING TO ENHANCED 911 SERVICES.

#### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

| 1  | SECT      | ION 1. Section 138-2, Hawaii Revised Statutes, is       |
|----|-----------|---|
| 2  | amended b | y amending subsection (h) to read as follows:           |
| 3  | "(h)      | The board or its chairperson, with the approval of      |
| 4  | the board | , may retain independent, third-party accounting firms, |
| 5  | consultan | ts, or other third party to:                            |
| 6  | (1)       | Create reports, make payments into the fund, process    |
| 7  |           | checks, and make distributions from the fund, as        |
| 8  |           | directed by the board and as allowed by this chapter;   |
| 9  |           | and   |
| 10 | (2)       | Perform administrative duties necessary to administer   |
| 11 |           | the fund or oversee operations of the board, including  |
| 12 |           | providing technical advisory support [+]; provided that |
| 13 |           | no third-party accounting firm, consultant, or other    |
| 14 |           | third party hired to perform these administrative       |
| 15 |           | duties may be retained if the accounting firm,          |
| 16 |           | consultant, or other third party, either directly or    |
|    |           |   |

indirectly, has a conflict of interest or is

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1
              affiliated with the management of or owns a pecuniary
2
              interest in any entity subject to the provisions of
3
              this chapter."
         SECTION 2. Section 138-3, Hawaii Revised Statutes, is
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    amended to read as follows:
6
         "[+] $138-3[+] Wireless enhanced 911 fund. There is
7
    established outside the state treasury a special fund, to be
    known as the wireless enhanced 911 fund, to be administered by
8
9
    the board. The fund shall consist of amounts collected under
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    section 138-4. Moneys paid into the fund are not general fund
11
    revenues of the State. The board shall place the funds in an
12
    interest-bearing account at any federally insured financial
13
    institution, separate and apart from the general fund of the
14
    State. Moneys in the fund shall be expended exclusively by the
15
    board for the purposes of ensuring adequate cost recovery for
    the deployment, improvement, and maintenance of phase I and
16
17
    phase II wireless enhanced 911 service, including costs expended
18
    by the wireline provider for such purposes, and for expenses of
19
    administering the fund."
20
         SECTION 3. Section 138-4, Hawaii Revised Statutes, is
21
    amended by amending subsection (b) to read as follows:
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- 1 "(b) The effective date of the surcharge shall be July 1,
- 2 2004. The rate of the surcharge shall be set at [66] 29 cents
- 3 per month for each commercial mobile radio service connection.
- 4 The surcharge shall have uniform application and shall be
- 5 imposed on each commercial mobile radio service connection
- 6 operating within the [State] state except:
- 7 (1) Connections billed to federal, state, and county
- 8 government entities; and
- 9 (2) Prepaid connections."
- 10 SECTION 4. Statutory material to be repealed is bracketed
- 11 and stricken. New statutory material is underscored.
- 12 SECTION 5. This Act shall take effect upon its approval.

# **TAXBILLSERVICE**

126 Queen Street, Suite 304

#### TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT:

MISCELLANEOUS, Enhanced 911 surcharge

BILL NUMBER:

HB 1014, HD-2

INTRODUCED BY:

House Committee on Consumer Protection and Commerce

BRIEF SUMMARY: Amends HRS section 138-3 to rename the wireless enhanced fund the enhanced 911 fund. Broadens the title of the board which oversees the fund from the "Wireless Enhanced 911 Board" to the "Enhanced 911 Board."

Amends HRS section 138-4 to reduce the surcharge from 66 cents to 46 cents and provides that the surcharge shall be imposed on all wireline access communication service connections. Repeals the provision that the surcharge funds are not general funds of the state.

EFFECTIVE DATE: January 1, 2020

STAFF COMMENTS: This was an administration measure (AGS-04) originally submitted by the department of accounting and general services.

The legislature by Act 159, SLH 1994, established a wireless enhanced 911 surcharge of 66 cents per month and a wireless enhanced 911 fund to allow deployment of phase 1 and phase 2 of the wireless enhanced 911 service and to cover the expenses of administering the fund. The wireless enhanced 911 program allows wireless phones to be located by public safety personnel in the event of an emergency. The fee is collected to reimburse facilities that provide Public Safety Answering Points (PSAP) which are set up to determine the location of a wireless 911 call for emergency services.

In February of 2007 the Honolulu police department completed its renovation of its communications division as a PSAP. As of August 2007 Oahu, Kauai, Maui and Hawaii were 100% operational with Molokai two-thirds operational.

At December 31, 2008 the wireless enhanced 911 fund had grossed nearly \$30 million and the wireless enhanced program was in operation. With the completion of the enhanced 911 system, it is questionable whether the wireless enhanced 911 surcharge is still necessary. While the measure also extends the enhanced 911 surcharge to landline, VOIP, and any other communication service that connects with the 911 call center, it is questionable why it is necessary. As with "dropped calls" wherein a call is made to a 911 dispatch and subsequently hung up by the caller, a 911 operator will attempt to call that number back to ascertain the nature of the emergency, if any. If the operator is unable to contact the caller, a police unit is dispatched to the location of the dropped call. Since the location of the dropped call can be determined by the 911 dispatch, it is questionable why the surcharge is expanded to include systems other than wireless services.

#### HB 1014, HD-2 - Continued

What this measure does underscore is the point that has been made over and over again, where fees or taxes are earmarked for a particular program or service and bear no relationship for the demand of that service, there will always be a mismatch of revenues and expenditures. Either the fee will generate insufficient resources or, as it is in this case, produce more resources than necessary for the program. It is, therefore, more appropriate to actually appropriate the necessary funds out of general funds once costs are actually determined.

The measure supposedly broadens the application of the enhanced 911 service to include landline phones and voice over internet connections and it also deletes the provision that the receipts of the surcharge are not receipts of the general fund. It appears that this measure is being set up to be a new source of funds for the state general fund to help balance the biennial budget.

Digested 3/2/09



# STATE OF HAWAII DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS State Fire Council 830 Punchbowl Street Honolulu, Hawaii 96813

March 2, 2009

The Honorable Marcus Oshiro, Chair Committee on Finance House of Representatives State Capitol, Room 306 Honolulu, Hawaii 96813

Dear Chair Oshiro:

Subject: H.B. 1014, H.D. 2 Relating to Enhanced 911 Services

I am Kenneth G. Silva, Chair of the State Fire Council (SFC) and Fire Chief of the Honolulu Fire Department (HFD). The SFC and the HFD support the intent of H.B. 1014, H.D. 2, which proposes to reduce the monthly surcharge on cellular telephone accounts for enhanced 911 (E911) services; impose a monthly surcharge on landline, Voice over Internet Protocol providers, and other communication services; expand the membership of and rename the Wireless Enhanced 911 Board; and increase the authority of the Board to spend surcharge funds on the operation of the E911 system and not the cost of its implementation.

However, we strongly oppose diversion of the wireless funds into the general fund. Fees collected from consumers for E911 services should be utilized for the administration of the E911 system. The Federal ENHANCE 911 Act enacted in 2004 addressed the diversion of E911 funds by individual states. As a result, states that use E911 funds for other purposes are not eligible for federal grant programs. As communication technology advances, systems and equipment costs will increase, and the E911 funds must be available for its intended purposes. E911 services are an essential part of homeland security and emergency response to manmade and natural disasters. Our community deserves the best emergency communication system when timely response is literally the difference between life and death.

The SFC and the HFD urge your committee's support on the passage of H.B. 1014, H.D. 2, except to not allow the diversion of surcharge funds to the general fund.

The Honorable Marcus Oshiro, Chair Page 2 March 2, 2009

Should you have any questions, please call HFD Legislative Liaison Lloyd Rogers at 723-7171.

Sincerely,

KENNETH G. SILVA

Chair

KGS/LR:cn

#### POLICE DEPARTMENT

#### CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET - HONOLULU, HAWAII 96813 TELEPHONE: (808) 529-3111 - INTERNET; www.honolulupd.crg

MUFI HANNEMANN



SOISSE P CORREA CHIEF

PAUL O. PUTZULU KARLA. GODSEY DEPUTY CHIEFS

OUR REFERENCE MC-LS

March 3, 2009

The Honorable Marcus R. Oshiro, Chair and Members Committee on Finance House of Representatives State Capitol Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 1014, H.D.2, Relating to Enhanced 9-1-1 Services

I am Marie McCauley, Major of the Communications Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD supports the intent of House Bill No. 1014, H.D. 2, to create an inclusive 9-1-1 board to oversee the use of the surcharge that provides emergency communication services to all Public Safety Answering Points (PSAP). We also support the reduction of the surcharge from \$0.66 to \$0.46 to assist the overburdened taxpayer. We appreciate the change that will allow for direct disbursements for equipment, software, and hardware costs to the county PSAPS instead of reimbursements.

However, we strongly oppose the attempt to move the wireless fund into the general fund. Any funds that are collected from fees imposed on consumers' bills for the purposes of funding enhanced 9-1-1 services should go for that purpose.

The federal Ensuring Needed Help Arrives Near Callers Employing 9-1-1 Act of 2004 addressed the problem of dedicated state 9-1-1 funds being diverted by individual states for other purposes. States that divert 9-1-1 funds, which are collected from consumers on their monthly telephone bills for the purpose of supporting 9-1-1 service, will not be eligible for federal grant programs. The Economic Stimulus package has great opportunities for telecommunication grant applications, but our state may not be eligible for this money if the fund has been diverted in any way.

The HPD is the largest PSAP in Hawaii. Over a million calls a year are routed to our PSAP, with almost 80 percent of the calls requesting police service. Enhanced wireless service has been available in Honolulu since January 2007. Prior to going "live," our department did not have an accurate idea of the changes that would be required or the amount of money that would be needed to pay for this advanced technology.

Since the wireless enhanced 9-1-1 services have been implemented for a period of time, we see our needs more clearly. We are able to make plans to acquire new computer programs that will help us transition to emerging technologies that will improve the way we do business. We also have a better idea of the amount of money that will be necessary to accomplish this task.

The Honorable Marcus R. Oshiro, Chair and Members Page 2 March 3, 2009

This version of the bill would require that all participants (landline, wireless, Voice over Internet Protocol, etc.) pay for future technological upgrades to provide the very best 9-1-1 service.

We believe that the wireless fund should be used to maintain service for all users. Technology is expensive, and the fund would be used in the future as all PSAPs come to terms with their individual and corporate needs. In the last year, the Honolulu PSAPs received approximately \$1.2 million, with the vast majority (\$900,000) going to Hawaiian TelCom to pay for the services they provide in connecting the calls to the call centers.

We will have to update our existing computer software system and build a state-of-the-art alternate call center so that we are able to provide continued services for public safety. The 9-1-1 services are an essential aspect of our state's homeland security, transportation safety, disaster response, and health care delivery system. These changes will exceed \$10 million in the next three years.

Please pass a version of this bill that would require all users to share in the cost of providing excellent service to our PSAPs, thus protecting the integrity of the fund for present or future needs.

Thank you for giving us the opportunity to express our support as well as our concerns about this bill.

Sincerely,

MARIE A MCCAULEY, Major Communications Division

APPROVED:

BOISSE P. CORREA

Chief of Police

#### POLICE DEPARTMENT

#### CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET - HONOLULU, HAWAH 96813 TFLEPHONE: (808) 529-3111 - INTERNET: www.honolulupd.org

MUFI HANNEMANN MAYOR



BOISSE P CORREA

PAUL D PUTZULU KARL A. GODSEY DEPUTY CHIEFS

OUR REFERENCE MC-LS

March 3, 2009

The Honorable Marcus R. Oshiro, Chair and Members
Committee on Finance
House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 1014, H.D.2, Relating to Enhanced 9-1-1 Services

I am Marie McCauley, Major of the Communications Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD supports the intent of House Bill No. 1014, H.D. 2, to create an inclusive 9-1-1 board to oversee the use of the surcharge that provides emergency communication services to all Public Safety Answering Points (PSAP). We also support the reduction of the surcharge from \$0.66 to \$0.46 to assist the overburdened taxpayer. We appreciate the change that will allow for direct disbursements for equipment, software, and hardware costs to the county PSAPS instead of reimbursements.

However, we strongly oppose the attempt to move the wireless fund into the general fund. Any funds that are collected from fees imposed on consumers' bills for the purposes of funding enhanced 9-1-1 services should go for that purpose.

The federal Ensuring Needed Help Arrives Near Callers Employing 9-1-1 Act of 2004 addressed the problem of dedicated state 9-1-1 funds being diverted by individual states for other purposes. States that divert 9-1-1 funds, which are collected from consumers on their monthly telephone bills for the purpose of supporting 9-1-1 service, will not be eligible for federal grant programs. The Economic Stimulus package has great opportunities for telecommunication grant applications, but our state may not be eligible for this money if the fund has been diverted in any way.

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Since the wireless enhanced 9-1-1 services have been implemented for a period of time, we see our needs more clearly. We are able to make plans to acquire new computer programs that will help us transition to emerging technologies that will improve the way we do business. We also have a better idea of the amount of money that will be necessary to accomplish this task.

The Honorable Marcus R. Oshiro, Chair and Members Page 2 March 3, 2009

This version of the bill would require that all participants (landline, wireless, Voice over Internet Protocol, etc.) pay for future technological upgrades to provide the very best 9-1-1 service.

We believe that the wireless fund should be used to maintain service for all users. Technology is expensive, and the fund would be used in the future as all PSAPs come to terms with their individual and corporate needs. In the last year, the Honolulu PSAPs received approximately \$1.2 million, with the vast majority (\$900,000) going to Hawaiian TelCom to pay for the services they provide in connecting the calls to the call centers.

We will have to update our existing computer software system and build a state-of-the-art alternate call center so that we are able to provide continued services for public safety. The 9-1-1 services are an essential aspect of our state's homeland security, transportation safety, disaster response, and health care delivery system. These changes will exceed \$10 million in the next three years.

Please pass a version of this bill that would require all users to share in the cost of providing excellent service to our PSAPs, thus protecting the integrity of the fund for present or future needs.

Thank you for giving us the opportunity to express our support as well as our concerns about this bill.

Sincerely,

MARIE A MCCAULEY, Major Communications Division

APPROVED:

BOISSE P. CORREA

Chief of Police



Dan Youmans Director External Affairs AT&T Services, Inc. P.O. Box 97061 RTC1 Redmond, WA 98073-9761

T: 425-580-1833 F: 425-580-8652 daniel.voumans@att.com www.att.com

March 3, 2009

The Honorable Rep. Marcus Oshiro Chair, Committee on Finance Hawaii House of Representatives

RE: Concerns Regarding Implementation of HB 1014, HD2

Dear Rep. Oshiro and Members of the House Committee on Finance:

Thank you for this opportunity to comment on House Bill 1014, HD 2, which would expand the application of the E911 surcharge to other "communications" technologies. AT&T continues to have concerns as noted in earlier testimony on this bill. There are still too many unanswered questions about how these funds will be spent when the use is expanded to both other providers and the general operating costs of the Public Safety Answering Points (PSAP). A careful cost analysis should be undertaken before opening the E911 fund up to such broad use.

In addition, the bill should be revised to describe how the E911 surcharge will be applied to each new technology. By simply applying the charge to "phone numbers" for "communications" services, there will be unintended consequences, especially for large users of telecommunications services, such as businesses. We are especially concerned about the application of the fee to Voice Over Internet Protocol services. AT&T has developed the following language that will ensure that the charge is properly applied:

#### **Definitions Section:**

"Interconnected Voice of Internet Protocol service line" means an interconnected Voice over Internet Protocol service that offers an active telephone number or successor dialing protocol assigned by a Voice over Internet Protocol provider to a Voice over Internet Protocol service customer that has inbound and outbound calling capability which can directly access a public safety answering point when such Voice over Internet Protocol service customer has a place of primary use in the State.

#### Surcharge Application Section:

For the enhanced 911 service fee imposed on Interconnected Voice over Internet Protocol service line, it shall be levied on no more than the number of Voice over Internet Protocol service lines on an account that are capable of simultaneous unrestricted outward calling to the public switched telephone network.

I would like the opportunity to work with you to make these and other changes so that the E911 charge can properly applied to new technologies, such as VOIP. Please hold HB 1014, HD 2 until we have had the opportunity to work out these issues. Thank you.

Dan Youmans, AT&T