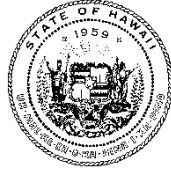


DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN COMMENTS OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE ON WAYS AND MEANS
ON
TUESDAY, MARCH 28, 2017
9:30 A.M.
CONFERENCE ROOM 211

H.B. 206, H.D. 2, S.D. 1

RELATING TO ENHANCED 911 SERVICES.

Chair Tokuda, Vice Chair Dela Cruz, and members of the Committee, thank you for the opportunity to provide written comments on H.B. 206, H.D. 2, S.D. 1. The Department of Accounting and General Services supports the measure for the following reasons:

1. This bill will create parity between postpaid and prepaid cellular phone customers. It is estimated that approximately 10% to 20% of cellular phone customers use prepaid cellular phones. Although the prepaid cellular phone customers benefit from the use of the enhanced 911 features, they are currently exempt from the \$0.66/month per line surcharge. As a result, postpaid cellular phone customers subsidize the prepaid cellular phone customers' portion of the cost for the acquisition, implementation and maintenance of hardware and software that provide enhanced 911 functionality.

2. Approximately 38 states and the District of Columbia have enacted legislation to assess 911 call surcharges on prepaid cell phone customers.

Thank you for the opportunity to provide written comments on this measure.

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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
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TESTIMONY
OF
COURTNEY TAGUPA, EXECUTIVE DIRECTOR
ENHANCED 911 BOARD
TO THE
SENATE COMMITTEE ON WAYS AND MEANS
ON
MARCH 28, 2017; 9:30 A.M.
CONFERENCE ROOM 211

H.B. 206, H.D.2, S.D.1

RELATING TO ENHANCED 911 SERVICES

HB 206, HD2, SD1, is an E911 Board's administration bill that requests a 1.5% surcharge on prepaid wireless communications for parity with the current 66 cents surcharge on monthly postpaid wireless communications, which support E911 programs. "E" or Enhanced, 911 represents 75% and growing number of emergency calls in Hawaii and keeps pace with rapidly expanding technology.

Prepaid services currently comprise a small percentage of the market share but based on our research, we are mindful that consumer patterns are unpredictable, depending on social and economic drivers as well as geographic points of sale. We will be tracking prepaid activity level in the years ahead to determine its predictability, which is needed for financial forecasting. We thank you for your support throughout this public process.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Impose enhanced 911 surcharge on prepaid phones

BILL NUMBER: HB 206, SD-1

INTRODUCED BY: Senate Committee on Commerce, Consumer Protection, and Health

EXECUTIVE SUMMARY: Imposes an enhanced 911 surcharge on prepaid phones. This is seen as a way to close a loophole in existing law.

SYNOPSIS: Adds a new section to HRS chapter 138 to provide that an enhanced 911 surcharge of 1.5% shall be imposed as a one-time charge on prepaid wireless telecommunications services. The surcharge shall be the liability of the consumer but collected by the seller. Allows the seller to retain 3% of the surcharge collected from consumers and remit the balance to the enhanced 911 board.

Conforming amendments are made to sections 138-3 and 138-4.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: 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 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 Act 79, SLH 2009, the legislature determined that there was an excess \$16 million in the enhanced 911 fund. At the time, public safety officials complained that diversion of receipts in the fund could disqualify the state from participating in federal grant programs to enhance the technology of 911 systems. But the fund was raided anyway. Perhaps lawmakers should investigate whether all the funding needs of the system have been made and if upgrades are still needed. Are there technologies still to be implemented to fully operate the system? Is the rate too high, bringing in revenues faster than they can be spent? If the latter is true, then lawmakers should consider reducing the rate so the monthly burden will not be as great on users.

Currently, wireless phones are assessed a surcharge of 66 cents per month while landline phones are assessed 27 cents per month. Prepaid service connections or prepaid pay as you go cell phones are exempt from this surcharge. Because prepaid phones also have access to enhanced 911 services, it appears equitable to assess those phones a fair rate as well.

Digested 3/24/2017

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 26, 2017 2:11 PM
To: WAM Testimony
Cc: jon.wong@wirelessprepaidunlimited.com
Subject: Submitted testimony for HB206 on Mar 28, 2017 09:30AM

HB206

Submitted on: 3/26/2017

Testimony for WAM on Mar 28, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Jon Wong	JointWireless	Oppose	No

Comments: Correction Sellers (Prepaid Wireless Phone Dealer) can keep 1.8 US cents per transaction for collecting, filing and sending in this proposed 911 fee to the government; when refilling for a consumer! Not quite worth the additional bookkeeping cost , is it?

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 27, 2017 11:34 PM
To: WAM Testimony
Cc: ppd808@gmail.com
Subject: Submitted testimony for HB206 on Mar 28, 2017 09:30AM

HB206

Submitted on: 3/27/2017

Testimony for WAM on Mar 28, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Manabo Sato	Keitai Hawaii LLC	Oppose	No

Comments: As a long time prepaid wireless dealer in the state of Hawaii and a consultant for many prepaid wireless dealers and companies like Eco mobile, Best Cellular, I oppose this law. The 1.5% may not seem like much but the target market of prepaid wireless users in Hawaii is usually on the very bottom rungs of income with little or no income and can't get credit, can't get loans for traditional wireless service. Part of the longtime advantage of prepaid wireless services has been its lack of extra fees vs. postpaid which often have many obscure and excessive fees thrown in often inflating the price far beyond the base price. For a prepaid wireless user, especially on the lower end with tight budgets, it is not just a small amount. It is a permanent piece of income taken away from them. Also, with the plummeting of refill percentage rates of most prepaid wireless carriers from double digit ranges in the past to the current standard of single digits in some cases as low as 3-4%, after credit card /processing fees, and other additional costs, the additional 1.5% adds a burden to the already struggling prepaid wireless industry. Many dealers are currently going out of business losing ground to bigger and more established dealers because of the lack of ability to compete on price. The gap in pricing between prepaid and contract/postpaid wireless is also at a historical low with plans like the new Verizon postpaid family plan allowing postpaid customers to get the best network in the country with prices as low as \$70 for an unlimited talk/text/high speed data like for a single individual and family plan discounts as low as \$45 for unlimited talk/text/high speed data for four lines at that price per line. The advantage prepaid wireless enjoyed is completely gone. One of the miniscule remaining advantages has been that prepaid has less extra fees than postpaid (which admittedly vary state to state) but at this point with the gap close, even a percent or two could make the difference in the survival of many prepaid wireless dealers barely able to compete against large corporate stores who have the volume and advertising and media presence to compete against the smaller independent dealers. This will ultimately take a toll in time, convenience and desirability of prepaid wireless overall as a product as well as burdening the citizens most likely to be the least capable of handling even the smallest increases in price of what has become an essential or near essential service to function in today's increasingly technological dependent society. Hawaii should remain free of prepaid wireless airtime tax at ANY percentage to prevent

damage to those least capable of sustaining extra financial strain. And as pointed out in public media, the extra million or so projected to be added to the current or previously last reported \$16 million that they currently have in the existing e911 fund should more than suffice instead of squeezing those who can least afford any squeeze at all no matter how small. Oftentimes, the smallest increase can be the straw that breaks the camel's back and unfortunately in Hawaii, the users of prepaid wireless services , already burdened by the consistently highest in nation costs in many areas of just living don't need to be victimized in one more take away. Bost the underbanked and poor who used prepaid wireless and those hard working tax paying small businesses that sell it should be left alone for this reason. Now and forevermore regarding this matter.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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