



911 Phone Fees: A Problematic Policy Prescription

Public Comments to the San Diego City Council Budget Committee

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Introduction

Good morning. My name is Vince Vasquez, and I'm the Senior Policy Analyst with the San Diego Institute for Policy Research. Though SDI is working on analyzing many of the issues raised by the IBA, I am here today to report on work we have done concerning the IBA's analysis of a new 911 Phone Surcharge. We believe that with regard to the 911 fee, four issues should be of paramount concern to the Council, and I would urge you to carefully study them before taking any steps to impose this multi-million dollar tax on San Diego phone users.

- **Thorny Legal Problems May Jeopardize Any New 911 Fee**

Adopting a new 911 phone fee is likely to come into conflict with taxpayer protection laws passed by California voters in 1996. Proposition 218 makes local tax proposals more accountable to the people, and subject to their approval at the ballot box in many instances. Where San Diego's 911 fee would fall in the realm of legality is unclear. As the IBA notes, current legal challenges in other cities may put the breaks on a 911 telephone fee, and an effort to pass a moratorium on local telephone taxes has recently caught steam in the United States Senate.

- **The Phone Tax Burden on Residents is Already Too High**

For decades, San Diegans have shouldered their fair share of telephone taxes. Each year, California residents pay more than one billion dollars for state-based phone tax programs, which

are dolled out to pay for everything from bureaucrat salaries to hand-outs for both for-profit and non-profit entities.

One of the most broken phone tax programs is the state's own 911 fee, known as the California Emergency Telephone Users Surcharge. This fee was intended to pay for upgrades to local emergency communications networks but budget-pressed Sacramento legislators have raided it for non-related programs, to the tune of more than \$100 million. The question, then, must be posed: should San Diegans have to pay twice to ensure their 911 service, because state officials can't get their fiscal house in order?

With American phone users paying out an average of 15% of their monthly bills for a laundry list of local and state taxes, it's clear that the telephone is now taxed at the level of "sin" products such as a pack of cigarettes or a bottle of liquor. Its high tide for phone tax relief in this country, and a look back at a recent election suggests that San Diegans strongly agree.

In November 2004, Californians voted on a number of ballot measures, including Proposition 67, a proposed 50 cent monthly surcharge on residential phone bills to subsidize emergency medical services, including upgrades and expenses for local 911 networks. San Diego city residents overwhelmingly rejected Prop. 67, with more than 70% voting no on the initiative.

- **The Push for Fee Exemptions would be Political, not Policy-Oriented**

If a new 911 phone surcharge makes its way through the legislative process, demands for exemptions will come from every corner of the city. It should be noted that past exemptions from

fees and taxes similar to the proposed 911 surcharge have proven troublesome and subject more to political forces than sound policy interests.

For example, San Francisco lawmakers decided to give a break from their 911 fee to numerous groups, including cable companies, phone companies, and non-profit organizations. Public officials in Santa Cruz County broadly exempt residents over 62 years of age from paying the county's Emergency Response Fee. And the California Board of Equalization gives a state 911 fee waiver to chapters and branches of the American Red Cross, as well as banks, insurance companies, Native Americans, and employees of foreign governments. It's unclear what course San Diego officials would take with 911 fee exemptions, and how they would justify that some members of society or the business community should be free from paying a new back-door city tax, and not others.

- **San Francisco's 911 Fee Should Not be Imitated**

City lawmakers should take caution with efforts to find meaningful policy solutions from San Francisco's 911 fee experience. San Francisco's "Emergency Response Fee" was originally adopted by county supervisors in 1993 as a temporary fifty-cent surcharge for the limited purposes of paying for critical emergency communications equipment upgrades and a new building for 911 dispatchers. However, with costs soaring for the building, the 911 fee was quietly doubled by lawmakers, changed from temporary to permanent and legally broadened to secure a cash flow for system operating costs and a government contract for a \$50 million dollar radio system. Subsequently, the fee has been steadily increased during city budget crunches, to the rates today of \$2.75 per access line, \$20.62 per trunk line, and \$371.15 per high capacity line.

Conclusion

Moving forward, I advise the Council to be very skeptical about calls and designs for a new 911 fee on phone users. The needs of the City's 911 emergency system should be evaluated on their own merits, not through the prism of general budgetary needs. Thank you.