



P.O. Box 928 • Salem, Oregon 97308
(503) 588-6550 • (800) 452-0338 • Fax: (503) 399-4863
www.orcities.org

March 1, 2013

To: Rep. Phil Barnhart, Chair

Rep. Jules Bailey, Vice Chair

Rep. Vicki Berger, Vice Chair

Members of the House Revenue Committee

Fr: Craig Honeyman, Legislative Director, League of Oregon Cities

Re: HB 2455, Telecommunication Fees

Good morning Chair Barnhart and members of the House Revenue Committee. My name is Craig Honeyman, Legislative Director for the League of Oregon Cities, an organization representing all 242 cities in the state. I am pleased to have the opportunity to comment on HB 2455 and have brought two experts in the field of telecommunications franchising with me to provide additional information. With me today are Len Goodwin, Development and Public Works Director for the City of Springfield, and Mary Beth Henry, from Portland's Office of Community Technology. You will hear from them in a moment.

But first I would like to offer a little background and perspective for this discussion. The League has a couple of fundamental principles in play with this legislation. First is our celebration of Home Rule authority and, therefore, objection to preemptions of any kind. Admittedly, however, cities are preempted in a number of respects including in telecommunications – ORS 221.515 being one of them. Second, we work to protect a city's right to manage its public rights of ways and to be compensated when an entity profits from using this public resource.

And then generally the League supports the notion of effective competition among communications providers and that the tax and fee policies and structures should be technology-neutral. That brings me to HB 2455.

The League has been engaged with Comcast for several months over the issue of equity in terms of how various types of telecommunications providers are treated by cities with whom they have franchise agreements. As you will learn more about in a minute, there is a rather significant disparity in how statutes allow cities to treat the so-called Incumbent Local Exchange Carriers (ILECs) and Competitive Local Exchange Carriers (CLECs). In both cases, cities are allowed to negotiate franchise agreements but

in the case of the ILECs they are restricted to a seven percent of gross revenue cap with gross revenue being narrowly defined as dial-tone service. With the advent of new technology, fees based solely on wireline and only one component of wireline service, sort of like the gas tax (if I can mix my metaphors), is a declining revenue source. Indeed, according to a 2012 update of the League's Utility and Franchise Fee Survey of 144 cities (representing about 90 percent of the state's municipal population), revenues derived from ILECs have decreased \$1.9 million over the past three fiscal years. Revenues derived from CLECs have increased by \$478,000 in the same time period. So, in the aggregate, cities have seen their telecommunications franchise fee revenues drop by more than 16 percent – this at a time when local budgets are financially strapped, employees are being laid off and services reduced.

So the League has been very interested in what Comcast has been working on and is particularly interested in the -1 amendment to HB 2455. While the bill as originally introduced was problematical for cities given its rate-cap preemption and uncertainties about the fiscal impact on cities, the -1 amendment addresses the issue of fairness and equity; recognizes changes in technology that have rendered ORS 221.515 out of date; and protects city authority to negotiate reasonable franchise agreements with providers within its jurisdiction.

Thank you for the opportunity to testify. I will now invite Mr. Goodwin to make a few remarks.