

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

April 29, 1997 Hearing Room 343

8:15 AM Tapes 62 - 63

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Tom Whelan

Rep. Cynthia Wooten

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

HB 3382 - Work Session

HB 3378 - Work Session

HB 2060 - Work Session

HB 3675 - Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

Tape/#	Speaker	Comments
TAPE 62, A		
004	Chair Hill	Opens meeting at 8:24 AM. Opens work session on HB 2060.
<u>HB 2060 - WORK SESSION</u>		
015		

	Gary Bauer	Oregon Independent Telephone Association. Submits written explanation of -14 amendments (EXHIBIT A).
057	Ginny Lang	US West. Talks about working in the "existing statutory framework" rather than through a complete statutory change.
069	Rep. Adams	Asks about cable companies becoming telecommunications provider.
073	Bauer	Answers that in that case they would be classified as a telecommunications provider.
077	Lang	Adds that that is the "trigger" for coming under the 7%.
082	Rep. Adams	Asks if the 7% is on local exchange service.
093	Lang	States that local service does not include call forwarding.
096	Rep. Adams	States that the local distribution system might determine rates more so than usage. Questions whether franchise fee structure "fits" with today's circumstances.
123	Lang	Responds that this is an "interim step." Adds that their amendments keep the cities whole.
136	Rep. Wooten	Clarifies that the present discussion speaks solely to telecommunications. Notes that her amendments use gross charges rather than gross revenue. States support for the -14 amendments but emphasizes that the inclusion of wireless carriers is very important.
185	Chair Hill	States that they will start with franchise fees.
196	Rep. Adams	Asks who has sponsored the amendments.
197	Bauer	Answers the Oregon Independent Telephone Association
200	Rep. Adams	Asks why they exclude wireless carriers.
205	Bauer	Answers that they were attempting to present a proposal that would receive general support.
214	Rep. Adams	Expresses uncertainty on the issue. Notes that to assume there won't be "cross-over" is fallacious. Asks about the redefinition of telecommunications provider.
233	Bauer	Responds that legislative counsel included that language.
240	Eric Ruona	Legislative Counsel. States that the definition was the standard definition as found in HB 3021.
252	Rep. Adams	Asks about the process of receiving a certificate.
260	Bauer	Answers that a company is required to file a form with the Public Utility Commission.
266	Rep. Adams	Asks how long it would take the amendments "to cycle in."
270	Bauer	

		Notes that they don't change the present framework. Answers that, depending on current contracts, they could cycle in in 3 years up to 20 years.
285	Chair Hill	Asks if the members need additional information on wireless carriers.
292	Rep. Adams	States that including wireless carriers would be too difficult.
295	Chair Hill	States that wireless carriers are "off the table."
316	Rep. Adams	Agrees that there is the potential for wireless carriers to enter the local distribution markets, but states that including them in this bill would "kill" it.
328	Chair Hill	Mentions the possibility of appointing an interim task force.
330	Rep. Wooten	States that Mr. Yates will provide a case run on the -11 amendments by Thursday.
350	Chair Hill	States that they will begin discussing the -10 amendments.
353	Jane Cummins	League of Oregon Cities. Appreciates the goal of keeping cities whole. Expresses concern over the potential decrease in revenues due to the pilot projects. Talks of possible "direct-access plan" with the PGE merger. States that they are working on an approach to taxing the power industries that will address the emerging competitive marketplace and that will garner general support.
400	David Olsen	Director of the Office of Franchise Management for the City of Portland. Seeks a solution that is administratively simple, that is a "win-win" situation for everyone, and that changes the status quo. Opposes a statewide utilities tax. Asks that the cities retain their authority.
TAPE 63, A		
013	Olsen	Discusses the advantages of a consumption-based methodology.
037	Rep. Wooten	Asks why cities should have the authority for imposing fees not related to franchise fee structure. Notes that that "runs counter" to Rep. Johnson's intentions.
053	Olsen	Mentions an interest in administrative simplicity. States that these funds are based on a "rental concept" justifying their use in the general funds. States that rights of way are a public resource.
069	Rep. Wooten	Responds that the "rental concept" doesn't answer the fact that franchise fees are passed on to the owners of that public property, i.e., the ratepayers. Mentions reasons for moving to a consistent statewide formula.
096	Olsen	States that the franchise fee system is one revenue source among many and is not a "profit center" as Rep. Wooten stated. Supports a formula that will work for all the parties involved. Mentions that

		current law requires a portion of the franchise fees go to the rate-base and that a portion "pass through" to ratepayers. Notes the attempt by providers to have the entirety "pass through" to ratepayers.
127	Rep. Wooten	Expresses concern with double taxation and specifically subsection 1 of section 2.
136	Chair Hill	Asks about the "indirect use" of streets and alleys.
140	Olsen	Answers that indirect use is a company using existing facilities-based suppliers to deliver services.
150	Chair Hill	Notes a lack of consistent testimony from the cities regarding the necessity and/or the use of the franchise fee funds.
160	Olsen	Responds that operating costs are paid through permit fees, relocation fees, and road cut fees. States that the rental concept underlies the franchise fee system.
174	Chair Hill	States that rent normally carries with it the expectation that the landlord will maintain existing facilities. Asks again how they will use the funds.
186	Olsen	States that a significant portion will go towards maintenance of the rights of way.
197	Rep. Adams	Asks who is sponsoring the -10 amendments.
202	Olsen	Answers the City of Portland.
206	Rep. Adams	Asks what consumption of energy has to do with use of the rights of way, answering that it has nothing to do with use of the rights of way.
223	Olsen	States that the proposal was a substitute for a prior fee included in the original bill and that it would be administratively simple.
231	Rep. Wooten	Expresses frustration with the testimony. States that the basic premise has been to separate the issue of the use of the rights of way from imposing in essence a utilities sales tax. Asks who supports the amendments.
257	Olsen	Notes the support of Northwest Natural Gas. Notes daily discussions with industrial users. States that the -10 amendments are a creative attempt to move forward.
283	Rep. Wooten	Asks for their view on pilot projects.
288	Chair Hill	Notes time constraints. Asks the witnesses to come back Wednesday to discuss how the taxes are collected. Closes work session of HB 2060, opens work session of HB 3382.
<u>HB 3382 - WORK SESSION</u>		
364	Rep. Wooten	Suggests conceptual amendments. Notes that the Senate approved SB 213. Suggests combining HB 3382 with HB 3378.

TAPE 62, B		
001	Rep. Wooten	Continues presenting reasons for combining the two bills.
013	Rep. Adams	Expresses concern with the fiscal impact. States that they don't want to lose the extension of the date.
032	Rep. Wooten	Asks staff to discuss those issues with Mr. Huston.
035	Frank Brawner	Oregon Banker's Association. States that the program will run out of funds this fall.
039	Chair Hill	Closes work session on HB 3382. Adjourns meeting at 9:25 AM.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2060, written material, Gary Bauer, 1 p.