

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

March 20, 1997 Hearing Room 343

8:30 AM Tapes 26 - 27

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Eldon Johnson

Rep. Tom Whelan

Rep. Cynthia Wooten

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

HB 2060 - Public Hearing

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 26, A		
003	Chair Hill	Opens meeting at 8:35 AM. Opens public hearing on HB 2060.
<u>HB 2060 - PUBLIC HEARING</u>		
006	Dick Yates	Legislative Revenue Office. Submits and discusses chart (EXHIBIT A). Discusses issues relating to proposed franchise fees.
038	Chair Hill	Asks if the League of Oregon Cities' report includes only franchise fees or if it includes in lieu of payments.
041	Yates	

		States that the league has information on in lieu of payments, but that EXHIBIT A does not include those numbers.
047	Chair Hill	Mentions the need to understand the "size of the pot" that cities are collecting through franchise fees. Notes that sewer fees are excluded as well.
074	Yates	Talks about distribution numbers. States that he uses incorporated populations as published by Portland State University. Notes that there would be a large pot.
091	Chair Hill	Asks if there is a common element among the seven cities who would be negatively effected by the bill.
095	Yates	Responds that he doesn't know.
104	Chair Hill	Notes that there will be interest in that information.
107	Yates	Talks of major services not included in the figures, namely garbage, water, and sewage.
124	Rep. Johnson	Asks if sewage, water, and solid waste are included in the figures.
130	Yates	Answers that they are not included.
140	Rep. Johnson	Asks if privately owned water districts pay franchise fees.
144	Yates	Responds that he doesn't know. States that franchise fees currently imposed on water provisions by the cities would be prohibited by the bill.
156	Chair Hill	Asks if the figures include in lieu of payments.
157	Yates	Answers that they do not. States that there are eleven cities reporting in lieu of taxes and that those numbers have been taken out.
170	Rep. Adams	Expresses concern that the proposed taxes punish privatization. Urges leaving water and sewage "out."
186	Chair Hill	Notes that franchise fees pay for right of way management, and that to understand the total cost of that management, water and sewage numbers should be included.
208	Rep. Adams	Remarks that franchise fees are a revenue stream.
216	Rep. Whelan	Asks why a privatized utility for water or sewage would be considered different than a privatized utility for telecommunications or electricity.
220	Rep. Wooten	Asks for information regarding the number of privatized utilities for water and sewage, mentioning her belief that they are few and small in size.
233	Rep. Johnson	Asks if the tax revenue gets used on right of ways.
238		States that he will look at his city's budget.

	Chair Hill	
244	Rep. Johnson	Poses the question of whether the revenue goes into a general fund.
252	Rep. Wooten	Offers that some of money is used to maintain water quality and sewage systems and that some of it goes into a general fund.
266	Chair Hill	Asks about discrepancies with an earlier report.
290	Yates	Asks the committee to disregard the earlier report.
300	Rep. Johnson	Notes that the utilities know "exactly how much they pay" and that their reports might differ from the municipalities' reports. Asks staff to request that information from the utilities.
325	Rep. Wooten	Asks Rep. Johnson if he wants all the utilities included in that request.
330	Rep. Johnson	Answers yes.
335	Rep. Wooten	Asks how many telecommunications utilities are presently in contract agreements with municipalities, for what duration they are in those contracts, and at what rate.
347	Rep. Adams	Adds that he would like to know how many telecommunications utilities currently do not pay franchise fees.
350	Chair Hill	States that he has requested that information. Mentions direct service industries which would be drawn into franchise fees under urban growth boundary amendments.
370	Rep. Johnson	Asks about the bill's effect on co-ops, publics, and people's utilities districts.
378	Rep. Wooten	Notes that publics, PUDs, and co-ops generally have in lieu of franchise fee agreements. Expresses the need to understand how they will be effected.
384	Rep. Adams	Mentions the closure of several paper mills and the effects on revenue. Remarks that there are many issues in this area which he doesn't fully understand.
422	Chair Hill	States that the committee is simply gathering information at this point
443	Rep. Adams	Mentions West Linn's mill closure and possible reopening. Discusses the potentially detrimental impact of the bill on the reopened mill.
452	Chair Hill	Notes that the bill would effect highly industrialized areas differently than more rural areas.
460	Rep. Johnson	Asks if the paper mill in West Linn pays a franchise fee to the city.
473	Rep. Adams	Answers that it does pay through Portland General Electric's rates.
480	Yates	Begins discussion on EXHIBIT A, noting its exclusion of generation costs.

TAPE 27, A		
001	Rep. Wooten	States that with the exclusion of generation costs that there is a "huge" difference in gross charges and gross revenues. States that it was not her intention to tax operations external to the distribution process.
007	Yates	Notes that currently within local franchise fee structures that generation costs are included, due to the fact that the fees are based on total charges to the customer.
014	Rep. Whelan	Asks for the difference between charges and revenue.
017	Yates	Answers that there is a 44% drop in total charges and total revenue in EXHIBIT A, which includes strictly distribution costs.
038	Chair Hill	Explains that Portland General Electric suggested the -2 amendments.
049	Neburka	Briefly explains the -2 amendments (EXHIBIT B), mentioning that there is a constitutional problem that needs to be worked on. Briefly explains the -3 amendments (EXHIBIT C) and that it proposes cost recovery for road maintenance based on permit fees.
065	Rep. Johnson	Asks who sponsored the -3 amendments.
066	Neburka	States that the ideas were discussed in committee.
076	Rep. Johnson	Addresses the issue of whether municipalities can charge both franchise fees and permit fees.
080	Chair Hill	States that those issues will be discussed with the municipalities. Adds that the -4 amendments (EXHIBIT D) were proposed by Rep. Wooten and that they strike water from the bill.
092	Rep. Adams	Asks if the -3 amendments include counties.
095	Chair Hill	Responds that he doesn't believe so.
099	Rep. Wooten	Adds that that was an oversight and that counties should have been included.
104	Rep. Adams	Asks for a philosophical justification of the imposition of franchise fees.
128	Chair Hill	Responds that that discussion will begin next Tuesday and that now the committee is simply gathering factual information and questions. Questions allowing counties to collect franchise fees due to its impact on goals to redistribute population within urban growth boundaries.
148	Rep. Adams	Suggests that the bill was designed to create a revenue stream. States that he is not convinced of the bill's efficacy. Asks the Oregon Utilities Workgroup to explain the bill.
184	Rep. Wooten	

		Cites personal experience that the present system doesn't work. Expresses her desire to see a consistent franchise fee structure statewide which neither harms competition nor municipal budgets.
213	Rep. Johnson	Remarks that the bill is a starting point in dealing with telecommunication's deregulation.
236	Rep. Adams	Mentions concern that money generated from West Linn's management of cable television access will be redistributed potentially to a district without cable television.
259	Chair Hill	Asks Rep. Adams to work with staff on possible amendments, adding that the committee is at a starting point with regards to the bill.
275	Rep. Adams	Asks about the exclusion of the value of natural gas in EXHIBIT A.
279	Yates	Answers that it is an attempt to separate the value of the product from the value of moving that product.
282	Rep. Adams	States that the value of the product must be included in the rate base.
285	Yates	States that he has interpreted "provider service" two ways.
290	Neburka	Notes that natural gas is deregulated and so the charges for generation and transmission are separated.
308	Steve Little	Oregon Department of Revenue. Submits written testimony (EXHIBIT E). Mentions that the department has proposed amendments. Discusses the bill's ramifications for the department. Notes the lack of a clear definition of heat in the bill. Mentions the lack of provisions allowing confidentiality of returns.
342	Little	Talks of recovering costs for administering the program.
378	Rep. Johnson	Suggests that Ways and Means would allocate the necessary funds for administering the program.
387	Little	Responds that that "would be fine."
397	Tom Cropper	Cable Access Producer. States that franchise fees are used to provide cable access. Notes uncertainty over the effects of the bill.
TAPE 26, B		
020	Cropper	Expresses desire to see cable access protected, citing the support of Ron Wyden, Mark Hatfield, and Bob Packwood. Notes that companies can transfer administrative costs to another state. Expresses desire for more local control on the issues.
065	Chair Hill	States that they haven't had discussions on cable access.
070	Cropper	Doubts that one tax rate can cover all areas.
080	Rep. Wooten	Agrees with the witness' concerns over cable access and cost shifting.
089	Ginny Lang	Representing the Utility Workgroup and US West. Describes the membership of the workgroup. States that the bill is a discussion piece for difficult issues.

139	Rep. Adams	States a need to understand the profitability of these issues, noting that in long-distance there has been a compression of profitability simultaneous with an expansion of service.
182	Rep. Whelan	Asks if US West has the same contract with all ninety municipalities.
190	Lang	Answers that formerly it was rather standardized but that that is changing.
203	Rep. Whelan	Predicts difficulties with a statewide approach. Asks if the municipalities can do something to facilitate these issues for the telecommunication industry.
208	Lang	Defers to the municipalities.
209	Rep. Johnson	States that what is at issue is that municipalities haven't dealt expeditiously with the telecommunication industry.
222	Laurie Itkin	Telecommunications Policy Advisor for the Governor. Mentions discussions with the governor on the issue. Cites a widespread desire for standardization and the need for change due to the federal act.
293	Itkin	Mentions the role and the principles of the OTFC.
309	Rep. Wooten	Cites that amendments to HB 2060 move away from franchise fees to a business fee. Mentions that the goal is universal service. States that municipalities generally have been remiss in their relations with competitors.
358	Rep. Johnson	Remarks that franchise fees are being passed along to the tax payer. Agrees with the aim to standardize fees.
392	Chair Hill	Wants a discussion on what management of right of way is and what it entails. Announces that on Tuesday they will talk to the cities.
440	Rep. Johnson	Asks for testimony of where state law need fit into federal law.
473	Chair Hill	Adjourns meeting at 10:02 AM.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2060, chart, Dick Yates, 4 pp.

B - HB 2060, LC amendment, staff, 10 pp.

C - HB 2060, LC amendment, staff, 1 p.

D - HB 2060, LC amendment, staff, 1 p.

E - HB 2060, written testimony, Steve Little, 3 pp.