



National League of Cities

2006 Federal Legislative Update: Telecommunications

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Local Government: Partners in Promoting Video Competition

- Local Governments strongly endorse promoting competition for all consumers and treating like services alike.
- Nationalizing franchising, however, would limit the benefits of video competition to a few well-to-do neighborhoods, would threaten local budgets, and would undermine the ability of local governments to protect their residents.



House Legislation

Communications, Opportunity, Promotion and Enhancement Act of 2006

COPE – H.R. 5252

(Barton – Rush)

Approved by House of Representatives

June 8, 2006

321 Yeas – 101 Nays

H.R. 5252 would...

- Replace the state and local cable (video) franchising process with a national franchising model controlled by the Federal Communications Commission (FCC)
- Franchise Fee: Provide municipal collection of up to 5% of Gross Revenue
- Public, Educational, Government (PEG) and Institutional Networks (PEG/I-NET):
 - 1% of Gross Revenue

NLC concerns with H.R. 5252...

- Preemption of Local Authority
- Lack of Build Out Requirement
- Rights of Way (ROW) disputes go to the FCC
- FCC creates new customer service rules that could be enforced by FCC or Local Franchise Authority



Senate Legislation

Communications, Consumer's Choice , and
Broadband Deployment Act of 2006 (S. 2686) aka
Advanced Telecommunications and Opportunities
Reform Act (H.R. 5252)
(Stevens Legislation)

Senate Commerce, Science and Transportation
Committee Approved on June 28, 2006
15 Yeas – 7 Nays



Senate Legislation

- FCC standardized form: 90 day approval period
- Franchise Fee: Up to 5% of Gross Revenue
- ROW: Court of Competent Jurisdiction, not FCC
- PEG/INET Financial Support:
 - No more than 1% of gross revenues or per subscriber basis (includes one-time and lump sum payments).
- FCC creates new rules enforced by Local Franchising Authority (LFA), or, at the referral, state attorney general, or state consumer protection agency.

NLC Concerns...

- Lack of Build Out Requirement
- Preemption of Local Government Taxing Authority
 - Permanent ban on Internet access taxes; removal of current grandfather for local governments that impose such a tax.
 - Moratorium on any new “discriminatory” taxes on wireless services



Senate Legislation

“The cumulative impact of the measure’s preemptions on state and local governments runs counter to our federal system and applies a federally mandated command-control model approach to traditional state and local issues”

National League of Cities
National Governors Association
National Council of State Legislatures
National Association of Counties
United States Conference of Mayors
The Council of State Governments
International City/County Management Association



National League of Cities

*Reference document for local officials comparing
significant legislative provisions*

H.R. 5252 : House and Senate Video Franchising
Bill Summary

Local Governments:
Partner in Promoting Video Competition
NLC, NATOA, USCM, NACo, GFOA



The Truth about Telecom Taxes and Reform

“The COST Study contains serious methodological flaws that make it an inappropriate basis for policy decisions”

Major Findings from Local Government Perspective on
Telecommunications Taxes: A Response to Industry’s
2004 COST Study

Executive Summary & Report: www.nlc.org

Issue Page: Telecommunications & Technology

- COST Study mixes taxes— which apply to a broad range of businesses— with user fees, such as those levied by local governments for the use of public rights-of-ways and are levied on any private user
- COST Study is wrong in its finding that the average rate of state and local transaction (telecommunications) taxes is 14.7% compared to 6.12% for general business. It inaccurately combines various sales taxes and user fees, and then compares them to general business taxation



The Truth about Telecom Taxes and Reform

- Telecommunications companies pay significantly lower corporate income taxes due to treatment that permits them to claim depreciation and investment tax credits on their property
- In 2004, Verizon reported its state and local tax burdens amounted to 2.29%
- Telecommunications companies pay almost the same effective tax rate on real property (2.26%) as do other businesses (2.19%)

In any reform of telecommunications regulation or taxation, local governments are seeking:

- Fairness for any technology involved in the delivery of communications
- Regardless of the provider, the same treatment of specific services; no favoritism to any one competitor

- Ability of cities and towns to tax or impose fees on telecommunications services, just as they tax or impose fees on other businesses within their community, depending on the needs of their community
- Simplification— not restrictions —on the administration of local and state taxes



Action Alert: Oppose Senate Legislation

Please contact your Senators today at (202) 224-3121 and tell them to vote against closing debate on this bill and to vote NO if this bill comes to the Senate floor.

NLC Grassroots Action Center

www.nlc.org



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Current Status & Thank You

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