

MUNICIPALITIES ADD TO COST OF CABLE WITH FRANCHISE FEES

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The next time you feel like griping to your cable television company about its rates, you may want to review your bill line by line. You're likely to find that the cable company isn't the only one dipping into your pocket. A majority of cable customers will find charges on their bills called franchise fees. Those fees are charged by the cable company but the money goes to your local government. Federal law allows a municipality to charge its cable company up to 5 percent of the gross revenue the cable operator derives from customers in the town.

The rationale behind the fees is they are charged in exchange for the cable company's right to offer service in the community and the money helps to pay for use of municipal rights-of-way and administrative costs.

Most municipalities in northern Allegheny and southern Butler County that have cable agreements collect a franchise fee. The majority charge the maximum allowed -- 5 percent -- and place the money in their general fund.

Mike Perko of the Federal Communications Commission said the federal government does not regulate how local governments use the franchise fees. Some towns designate the money for specific uses. Cranberry, for example, collects 4 percent and earmarks it for park improvements, while Summit collects 1 percent and uses it for emergency management.

Some don't charge the fee at all.

Seven Fields Manager Christine Wells said borough council decided not to charge a franchise fee because members viewed it as another tax on residents. "At this time, we don't need the additional revenue. Actually, we are talking about a millage reduction," Wells said. She added if the borough needed the revenue, council members probably would impose another tax rather than a franchise fee. Adams doesn't charge the fee, either.

"We pass whatever savings on to our citizens so they receive the best price possible for cable service," said Don Surrena, code enforcement officer.

Some cable companies don't pass the entire franchise fee onto the customer but add only a portion of it to the bill, said Eric Glick of the National Cable TV Association, which represents more than 80 percent of U.S. cable operators. In this area, however, most cable companies pass the entire fee onto the customer. "It is a kind of local tax, although technically it is not by definition a tax," Glick said. He added that the fees have been challenged in court and with the Federal Communications Commission.

Mike Haislip of Armstrong Cable Services in Butler said the fee is negotiated as part of the franchise agreement, or contract, between a cable company and a municipality.

"We're not fond of it. It goes straight to you, the cable customer, and increases your bill," Haislip said of the fee.

The FCC also gets a piece of your bill, albeit a minuscule one. Each cable subscriber is charged 44 cents a year by the FCC. State tax also is added to the bill.

Some communities, such as Marshall, have no franchise agreement with their cable provider and don't charge the fee. Some towns were unaware of the federal law that allows them to collect the fee.

Marshall does not have an agreement with Armstrong Cable but hopes to have one in place in January. Township Manager Neil McFadden said he doesn't believe a contract will mean Marshall will start charging a franchise fee. He said township officials are interested in a cable agreement because of issues other than franchise fees, such as coverage area, public access and state-of-the-art equipment. He said cable service is currently available only in densely populated areas of the township but officials would like 100 percent coverage. He also said he would like to see a community access channel available to Marshall and the North Allegheny School District.

Wayne Roller, executive director of the North Hills Council of Governments, said the council has hired an attorney to create a uniform cable contract for its members.

Roller said 11 of the council's 18 member municipalities are participating in the joint cable franchise agreement -- Bradford Woods, Etna, Franklin Park, Marshall, McCandless, Ohio, Pine, Reserve, Richland, Shaler and West View. He said the North Hills COG is interested in improving customer service and educational opportunities.

He said the attorney hired by the COG, Dan Cohen of the Pittsburgh firm Dickie McCamey & Chilcote, surveyed the municipal officials and is now asking residents about service, number of channels and reception. He said results will be tabulated and Cohen is expected to present a first draft of the model franchise agreement by early January. Roller said the COG hopes to have the agreement ready early next year.
