Measure Repealing PA’s Sales Tax Clears House Panel

The House Finance Committee this week overwhelmingly approved legislation repealing the 5 percent gross receipts tax on wireless phone services.

"The repeal of this tax has significant support of the House Finance Committee," said state Representative Mario Scavello, R-Monroe, the sponsor of the legislation. "The list of sponsors has grown, thanks to the attention this issue received at a recent press conference, to include enough members in each chamber to pass the bill on the House and Senate floor. I think today's committee vote sends a clear message to the General Assembly and the governor that there is legislative support to repeal the tax."

There are 104 sponsors on House Bill 338 (including former Rep. Pat Browne, now a state senator) and 26 on a similar version of the bill now in the Senate.

A 5 percent gross receipts tax on cell phones was enacted in December 2003. A 6 percent sales and use tax on cell phone charges was already in place at that time. When totaling local, state and federal taxes on cell phones, Pennsylvania ranks eighth in the nation with a 19.05 percent tax.

"This tax costs businesses, and consumers will save an estimated $225 million a year," said Scavello. "It drives up the cost of doing business in general and adversely affects the continuing expansion of the cell phone industry, which employs more than 6,000 people. We must not forget that lower taxes encourage businesses to locate in the Commonwealth.

FCC Launches Broad Inquiry Into Management and Oversight of Universal Service Fund

The Federal Communications Commission has launched a broad inquiry into the management, administration and oversight of the Universal Service Fund.

The Commission noted that its goals are to improve the operation of the program for its beneficiaries and contributors and to enhance program integrity. The four programs of the Universal Service Fund, or USF, help provide affordable phone service in rural areas, fund Internet access and telecommunications equipment and services in the nation’s schools and libraries, bring telemedicine services to rural areas, and assist low-income families with their phone bills.

Since 1997, the Universal Service Administrative Company, or USAC, which administers the fund, has disbursed approximately $30.3 billion from the fund. This proceeding will provide an opportunity for the Commission to work with all USF stakeholders to learn from the experience of the past eight years and find new, constructive ways to both meet the needs of those who depend on the USF and protect the integrity of the program.

In particular, the Commission is seeking comment in the following areas:

- **Managing the Program:** The Commission is exploring ways to simplify and streamline the management of the program. In particular, the Commission tentatively concludes that a multi-year application process for telecommunications services for the E-rate and Rural Healthcare programs would simplify the process in a way that still guards against potential abuse. The Commission also seeks comment on, among other things, reducing or consolidating application forms and adopting deadlines and other criteria to provide certainty to program applicants.

- **Improving Oversight:** The Commission seeks comment on the effectiveness of existing efforts to protect the fund against potential misuse. The Commission tentatively concludes that more aggressive debarment procedures are necessary to safeguard the fund and seeks comment on ways to improve the debarment rules. In addition, the Commission seeks comment on establishing independent audits for certain USF beneficiaries and contributors and seeks comment on what rules would help ensure that any audits are effective and fair. The Commission is also seeking comment on establishing rules for recovering USF monies that were not used in accordance with program rules.

- **Administrative Structure:** The Commission is examining the effectiveness of the existing administrative structure and seeks comment on whether any rule changes are needed to ensure the USF is administered in an effective, competitively neutral way.

- **Performance Measures:** The Commission is seeking comment on establishing performance measures to assess the effectiveness of the program

The Commission said that it will determine whether it needs to change any rules in order to manage and administer the USF more effectively while deterring waste, fraud and abuse.

FCC Moves Closer to Auctioning Spectrum for Advanced Wireless Services

This week, the Federal Communications Commission sought comment on rule changes needed to implement the Commercial Spectrum Enhancement Act (CSEA), which was signed into law on December 23, 2004. A key element of CSEA is the establishment of a "Spectrum Relocation Fund" to reimburse the relocation costs of federal agencies currently operating on spectrum reallocated from federal to non-federal use. The spectrum covered by CSEA includes 216-220 MHz, 1432-1435 MHz, 1710-1755 MHz, and 2385 MHz-2390 MHz, as well as other spectrum bands that may be reallocated from federal to non-federal use. The 1710-1755 MHz band accounts for half of the spectrum the Commission plans to auction as early as June 2006 for Advanced Wireless Services, including so-called "3G" services.

Under CSEA, an auction of eligible frequencies may not conclude if the total cash proceeds of the auction are less than 110 percent of the total estimated relocation costs of the federal users. As the statute does not define "total cash proceeds," the Commission determined that, for purposes of CSEA, "total cash proceeds" should be defined as winning bids net of any applicable discounts, such as small business bidding credits.

The Commission also sought comment on a number of prospective modifications designed to implement CSEA and update its spectrum auction rules, including:

- Revising the reserve price rule to ensure that auctions of frequencies eligible under CSEA are not concluded without raising 110% of the estimated federal user relocation costs, as required by the statute;

- Options for preserving the availability of tribal land bidding credits in auctions of frequencies eligible subject to CSEA;

- Increasing the Commission's discretion regarding the amount of interim bid withdrawal and additional default payments;

- Establishing procedures in advance of each auction for apportioning bid amounts among licenses in a package;

- Changing the payment rules and procedures for broadcast construction permits won at auction to conform to those for non-broadcast licenses; and

- Facilitating the use of small business bidding consortia.

Recent Poll Shows that New Jersey Residents See Value in Competition with Cable TV

In a poll commissioned by Verizon, an overwhelming number of respondents expressed strong support for updating the state's antiquated franchise laws regarding cable TV.

"New Jersey residents want choice for cable, and Verizon wants to make cable compete," said Dennis Bone, president of Verizon in New Jersey. "We aren't surprised by these poll results. We know there is a thirst among consumers for a better alternative."

Current law, in place for 30 years, requires a company seeking to compete against a cable TV provider to obtain a franchise in each municipality in which the company seeks to offer cable-TV service. Verizon serves 526 municipalities in New Jersey with voice and data services.

The survey, conducted in late May for Verizon by the Benenson Strategy Group, is based on 796 telephone interviews. All respondents were 18 year of age or older, as well as registered voters and homeowners in the Garden State.*

The purpose was to measure attitudes toward - and perceptions of - communications companies among consumers throughout the state.

Not surprisingly, almost seven in 10 homeowners (67 percent) strongly agree that it should be easier for companies to compete to provide television service in New Jersey. Seventy-five percent of respondents generally support a proposal that would allow telephone companies to offer television service in areas where they already offer phone service, without requiring them to again go through a local authorization process.

When told about Verizon's plan to provide consumers with innovative cable television service, support rose by 8 percent, to a total of 85 percent, including 48 percent who strongly support the law change.

At the root of this sentiment is consumers' strongly held belief that the cable industry today is a monopoly. In fact, 70 percent of respondents describe cable television service as a monopoly "with no choice for consumers."

After hearing that some people have proposed changing the law to let telephone companies offer television service in areas where they already offer phone service, 79 percent of Comcast cable customers and 74 percent of Cablevision customers supported such an initiative.

A remarkable 51 percent of respondents strongly disagree with the cable companies' argument that because the current law has been in effect for so long, it should remain unchanged. In fact, respondents indicate in their answers that the age of the current law is evidence that the cable industry has been blocking competition and choice for 30 years.