

Craig Durrett: Franchise fees pose a taxpayer conundrum

... only God can make a tree,

while fools construct the franchise fee.

— with apologies to

Joyce Kilmer

Don't get me wrong. In theory, charging utilities a franchise fee for the use of municipal rights of way to string their power lines sounds like good business.

One of the most valuable assets a city or town has is its real estate. And finding revenue sources that can underwrite the cost of government rather than raising taxes on citizens is an idea of merit, whether cities sell the naming rights to an arena or hold out for top dollar on drilling rights.

The only problem is that in the case of franchise fees, citizens end up paying for the privilege of being shrewd real estate managers. The Public Service Commission allows utilities like SWEPCO to pass along those franchise costs directly to ratepayers in the town that levies the fee.

Well, half of the fee anyway. The other half

is also passed along to utility customers throughout the utility's service area. So that means when city councils in first Bossier City and then Shreveport took advantage of an increase in the franchise fee cap — from 2 percent to 5 percent of local utility receipts — customers in each city helped cover the pass-along charges in both towns. Your "Thank You" card for the extra \$6 million Shreveport has to spend on streets is no doubt in the mail.

What it all means to state Sen. Barrow Peacock, a fiscal hawk who represents both cities, is that a franchise fee is really a tax that voters don't get to approve. When Shreveporters approved the largest construction bond proposal in city history in spring 2011, Peacock says, voters were promised no increase in existing taxes. A few months later the City Council, with mayoral endorsement, approved the franchise fee hike.

Yes, a manufacturer, whether it makes tires or electricity, factors any costs into its price to consumers. But is it fair for a ratepayer

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in Oil City to shoulder the franchise fee in Shreveport? So rather than SWEPCO absorbing franchise fee costs into its rate structure, the Public Service Commission finessed the debate by splitting the franchise fees between a city's residents and ratepayers throughout the service area.

Many elected officials aren't too crazy about Peacock's bill. Shreveport's City Council for now has tabled a resolution opposing the measure. The Louisiana Municipal Association met with the freshman lawmaker last week. By Friday, Peacock had yielded a smidgen of ground by amending his bill to allow a November election to let citizens decide if they are OK with a higher franchise fee.

So what's a no-tax, fiscally conservative taxpayer/ratepayer to do? Just give away our roadside real estate to utilities? Or does he want to charge a premium for the rights of way, even knowing he's also increasing the charges on his utility bill?

No doubt that ol' socialist poet Walt Whitman would agree that those SWEPCO franchise fees do sting the body electric.

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