

United States Senate
WASHINGTON, DC 20510

547

July 31, 2019

The Honorable Ajit V. Pai
Chairman
Federal Communications Commission
455 12th Street SW
Washington, D.C. 20544

Dear Chairman Pai,

We write regarding the FCC's proposed draft order in MB Docket No. 05-311 and its potential impact on public, educational, or governmental (PEG) stations.

As you know, the current rules allow local governments to negotiate in-kind contributions that benefit schools, public safety buildings and PEG stations. The proposed draft order would alter the use of franchise fees. In Michigan, PEG channels provide residents access to critical information and content. PEG channels promote transparency by broadcasting the activities of local government including city commission meetings, school board meetings, and public meetings. This service ensures that residents are still connected to their local communities even if they cannot attend meetings. PEG access channels also provide diverse local programming targeted at youth, seniors, and working adults.

We have heard from leaders in several communities in Michigan who are concerned that this order on cable franchise agreements will have a negative impact on PEG stations and ultimately reduce access to PEG channel content.

We strongly urge the Commission to consider the views of Michigan residents and impact on Michigan communities before moving forward with your order on cable franchise agreements.

Sincerely,



Debbie Stabenow
United States Senator



Gary C. Peters
United States Senator



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

August 1, 2019

The Honorable Debbie Stabenow
United States Senate
731 Hart Senate Office Building
Washington, DC 20510

Dear Senator Stabenow:

Thank you for your letter regarding the impact that the statutory cap on franchise fees has on funding for public, educational, or governmental (PEG) channels. The Commission recently released the attached draft *Third Report and Order*, which the Commission plans to consider during its upcoming August meeting. While this draft may change in response to further input from stakeholders and Commissioners, you will see that it addresses in detail each of the concerns raised in your letter.

As you know, the Communications Act limits franchise fees to five percent of cable revenues and defines “franchise fee” to include “any tax, fee, or assessment of any kind imposed by a franchising authority or other governmental entity on a cable operator or cable subscriber, or both, solely because of their status as such.” 47 U.S.C. § 542(g)(1). In *Montgomery County, Md. et al. v. FCC*, the U.S. Court of Appeals for the Sixth Circuit held that the terms “tax” and “assessment” were broad enough to encompass nonmonetary exactions—such as cable-related, in-kind contributions. 863 F.3d 485, 490-91 (6th Cir. 2017). But the court held that just because the statutory definition of “franchise fee” *could* include such nonmonetary contributions did not necessarily mean that it *did* include them, and it remanded the issue to the Commission for further consideration. *See id.* at 491-92.

In response to this remand, the Commission unanimously issued its *Second Further Notice of Proposed Rulemaking* to consider the scope of the congressionally-mandated statutory limit on franchise fees. The Commission developed a voluminous record in response to this notice, including numerous submissions from local franchising authorities, providers of PEG programming, and cable operators.

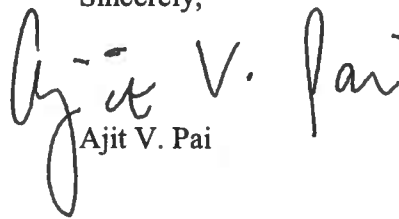
The draft order is the product of our careful consideration of this record. The result, we believe, is both consistent with the Act and responsive to your concerns regarding PEG programming. Among other things, the Commission observed that Congress broadly defined franchise fees; indeed, with respect to PEG channels, it only excluded support payments with respect to franchises granted prior to October 30, 1984 as well as certain capital costs required by franchises granted after that date. 47 U.S.C. §§ 542(g)(2)(B) & (C). The draft order therefore concludes that cable-related, in-kind contributions—including PEG-related contributions—are “franchise fees” subject to the Act’s five-percent cap unless otherwise expressly excluded.

At the same time, the order defers ruling on the complex issues raised by PEG channel capacity and concludes that the costs of providing PEG channel capacity should not be offset

against the franchise fee cap until the Commission can address the issue on a more complete record. The draft order also broadens the Commission's interpretation of an exclusion for certain PEG-related capital costs. These latter two conclusions directly address the concerns raised in your letter concerning the order's potential impact on PEG programming.

Again, thank you for your letter. Your views have been entered into the record of the proceeding and have been considered as part of the Commission's review. Please let me know if I can be of any further assistance.

Sincerely,

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Ajit V. Pai

Attachment



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

August 1, 2019

The Honorable Gary Peters
United States Senate
724 Hart Senate Office Building
Washington, DC 20510

Dear Senator Peters:

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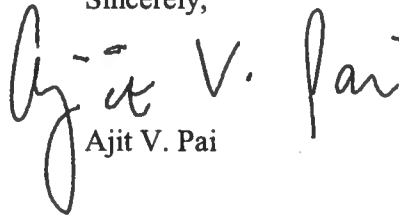
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Ajit V. Pai

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