

1 **State of Arkansas**  
2 **79th General Assembly**  
3 **First Extraordinary Session, 1994**  
4 **By: Senators Bell, Bookout, Russ, and Dowd**

Call Item 6

# A Bill

SENATE BILL 7

## For An Act To Be Entitled

8 "AN ACT TO CLARIFY THE AUTHORITY OF MUNICIPALITIES TO  
9 ASSESS UTILITY FRANCHISE FEES AS RENTALS FOR USE OF PUBLIC  
10 RIGHTS-OF-WAY; AND TO DECLARE AN EMERGENCY AND FOR OTHER  
11 PURPOSES."

## Subtitle

14 "THE MUNICIPAL FRANCHISE FEE  
15 CLARIFICATION ACT."

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

19 SECTION 1. LEGISLATIVE FINDINGS.

20 (a) In the State of Arkansas, municipalities are granted jurisdiction  
21 and authority over the use and control of the public rights-of-way within the  
22 corporate limits of the municipality, to the extent that such *jurisdiction*  
23 does not conflict with *state or federal statutes or regulations*.

24 (b) This historic authority has included the right to assess franchise  
25 *fees for the privilege of the use of such rights-of-way and of providing*  
26 *utility service to the public*.

27 (c) On numerous occasions, the courts of the State of Arkansas have  
28 referred to this right to assess franchise fees against public utilities. For  
29 example, in *Hot Springs Electric Light Co. v. Hot Springs*, 70 Ark. 300 (1902),  
30 the Arkansas Supreme Court expressly stated that cities may assess a franchise  
31 fee as a condition for the use of public rights-of-way.

32  
33 SECTION 2. STATEMENT OF POLICY. It is, and historically has been, the  
34 policy of the State of Arkansas to permit municipalities, as one means of  
35 raising revenues, to assess municipal franchise fees against public utilities

1 for the privilege of providing utility services to the public and of using  
2 public rights-of-way, including streets, highways, or other public places of  
3 any kind whatsoever within municipal boundaries and such franchise fees have  
4 not been considered to be within the scope of A.C.A. §26-73-103 so as to  
5 require a vote of the electorate. It is also the policy of the State that  
6 nothing in this Act shall amend or adversely impact the terms and provisions  
7 of an existing franchise agreement between a municipality and a public utility  
8 entered into pursuant to A.C.A. §14-54-704, A.C.A. §14-200-101, or any other  
9 enabling legislation relating to franchise fees in effect at the time of the  
10 agreement.

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12 SECTION 3. Arkansas Code Annotated § 14-200-101(a) is hereby amended to  
13 read as follows:

14 "(a) Acting by ordinance or resolution of its council, or board of  
15 directors, or commission, every city and town shall have jurisdiction to:

16 (1) Except as provided in § 23-4-201, determine the quality and  
17 character of each kind of, and rates for, product or service to be furnished  
18 or rendered by any public utility within the city or town and all other terms  
19 and conditions, including a reasonable franchise fee, upon which the public  
20 utility may be permitted to occupy the streets, highways, or other public  
21 places within the municipality, and the ordinance or resolution shall be  
22 deemed prima facie reasonable, provided that no increase in any franchise fee  
23 that is fixed in amount or in the rate used for calculating any franchise fee  
24 that is variable in amount and no assessment of a new franchise fee, in either  
25 case, made after January 1, 1994 shall be enforceable by any municipality  
26 against any public utility until such increase or assessment shall have been  
27 accepted in writing by the public utility affected by such action;

28 (2) Require of any public utility such additions and extensions  
29 to its physical plant within the municipality as shall be reasonable and  
30 necessary in the interest of the public and to designate the location and  
31 nature of all such additions and extensions, the time within which they must  
32 be completed, and all conditions under which they must be constructed;

33 (3) Provide a penalty for noncompliance with the provisions of  
34 any ordinance or resolution adopted pursuant to the provisions of this  
35 chapter;

1           (4) Nothing herein shall limit the authority of the public utility to  
2 collect from its customers residing in each municipality an amount which  
3 equals the franchise fee assessed by the municipality on the public utility;  
4 and

5           (5) The term public utility for the purposes of this section shall  
6 mean any electric, gas, sewer, or telephone company, and any company providing  
7 similar services, except those currently excluded pursuant to A.C.A. §23-1-  
8 101(4)(B)(ii); and provided further that when franchise fees assessed for  
9 basic local exchange services are based on revenues, such revenues shall  
10 consist of revenues from basic local service excluding among other things  
11 extension, terminal equipment, toll, access, yellow page and other  
12 miscellaneous equipment revenues."  
13

14           SECTION 4. Arkansas Code Annotated § 26-73-103 is hereby amended by  
15 adding a subsection (h) to read as follows:

16           "(h) Nothing in this subchapter shall limit the authority of  
17 municipalities to assess or contract for franchise fees pursuant to A.C.A.  
18 §14-200-101, A.C.A. §14-54-704 or any other enabling legislation related to  
19 franchise fees."  
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21           SECTION 5. Arkansas Code Annotated § 23-17-101 is hereby amended by  
22 adding a subsection (c) to read as follows:

23           "(c) Nothing in this subchapter shall limit the authority of  
24 municipalities to impose franchise fees pursuant to § 14-200-101."  
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26           SECTION 6. Effective January 1, 1994, regardless of the date of filing,  
27 no cause of action that challenges the right of a municipality to assess a  
28 franchise fee against a public utility for permission to occupy the streets,  
29 highways, or other public places within the municipality shall result in the  
30 award of money damages, provided, however, that consistent with the provisions  
31 of Article 16, § 13 of the Arkansas Constitution, any cause of action for  
32 illegal exaction found to be meritorious may result in the granting of  
33 injunctive relief.  
34

35           SECTION 7. All provisions of this act of a general and permanent nature

1 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
2 Revision Commission shall incorporate the same in the Code.

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4 SECTION 8. If any provision of this act or the application thereof to  
5 any person or circumstance is held invalid, such invalidity shall not affect  
6 other provisions or applications of the act which can be given effect without  
7 the invalid provision or application, and to this end the provisions of this  
8 act are declared to be severable.

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10 SECTION 9. All laws and parts of laws in conflict with this act are  
11 hereby repealed.

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13 SECTION 10. EMERGENCY. It is hereby found and determined by the  
14 Seventy-Ninth General Assembly that the decision of the Arkansas Court of  
15 Appeals in AT&T Communications of the Southwest, Inc. v. City of Little Rock  
16 has created uncertainty and confusion concerning the ability of municipalities  
17 to assess franchise fees as a term or condition for the use of public rights-  
18 of-way; that the immediate implementation of this Act is necessary to  
19 eliminate this uncertainty and confusion and to reconfirm the authority of  
20 municipalities to levy franchise fees. Therefore, an emergency is hereby  
21 declared to exist and this Act, being immediately necessary for the  
22 preservation of the public peace, health, and safety, shall be in full force  
23 and effect from and after its passage and approval.

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25 /s/Bell et al

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***As Engrossed: 3/1/94***

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