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**Public Utilities, Energy, and Technology Interim Committee
Chairman Winterton and Chairman Albrecht
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Chairmen Winterton, Albrecht, and Members of the Committee,

My name is John Cmelak, Vice President of State Tax Policy for Verizon in the Western United States. I appreciate the opportunity to provide testimony on PURF funding sources.

Verizon participated in last week's stakeholders meeting hosted by the Division of Public Utilities. I want to commend the Division for being an honest broker in trying to find a consensus solution to its revenue needs. This funding issue was not caused by the Division itself but by underlying market changes in the consumption of telecommunications and energy.

The takeaway from the meeting was that some regulated utilities are paying into the PURF more than the costs they are imposing on the Division. Understandably, they do not think it is fair that their rates should go up by raising the cap on the PURF rate. I certainly cannot argue with this point. However, to solve this problem by making unregulated wireless companies that impose no costs on the Division pay the PURF makes no sense. It's counterintuitive.

First, Verizon believes that Utah wireless customers already pay disproportionately to fund government services in Utah. Scott Mackey, our wireless industry consultant and economist, will present more detail later in the agenda so I will not comment further on this issue.

Second, rather than increase PURF fees on non-regulated entities, Verizon supports either appropriating general fund revenues to cover the PURF shortfall or increasing the statutory cap on the PURF fee. We suggest a temporary increase in the cap, followed by a report by the Division to the legislature detailing the proportionate costs of various regulated sectors on the Division's budget. This would not require Division staff to track their time down to the minute, like a law firm. Rather, it would be an estimate of the proportionate costs incurred by regulated sector. Based on data from that report, a future legislature would be able to restructure the PURF to fairly allocate costs among sectors.

Finally, Verizon does not support using revenues from the state USF to make up any PURF funding shortfall. The legislature just restructured the state USF in a way that significantly increased the burden on wireless consumers. We are concerned that adding new funding requirements to the USF, which lacks any cap, would be a bad precedent and could lead to more requests to fund unrelated programs through the state USF.

Thank you for considering Verizon's views in this matter.