



## Fiscal Estimate Narratives

DFI 2/19/2010

LRB Number	09-3996/1	Introduction Number	AB-0721	Estimate Type	Original
<b>Description</b> Public, educational, and governmental access channel requirements for video service providers and interim cable operators					

### Assumptions Used in Arriving at Fiscal Estimate

Under the proposed legislation, current law regarding video service providers and their support for PEG channels would be modified. The revision would change current language so that it would refer to support for PEG channels rather than to "monetary support for access facilities for PEG channels". The bill also would allow a municipality to require, beginning on January 1, 2011, video service providers and interim cable operators to pay a fee for the purpose of supporting PEG channels. The fee, which must be set by ordinance, could be equal to no more than 1% of a video service provider's or interim cable operator's annual gross receipts. The bill also makes other changes regarding the responsibility for video service providers and interim cable operators to PEG service delivery, technology, channel location, signal quality and protocol.

It is estimated that in 2009, cable providers remitted \$43 million to local governments in franchise fee payments. This reimbursement level reflects an estimated 5% of operator's gross revenues from cable service. If all eligible local entities assessed an additional 1% of gross revenues to video service providers and interim cable operators, the additional revenues would be \$8.6 million. The calculated estimate is as follows:

$\$43M(\text{current revenues})/5(\text{current } 5\% \text{ rate})= \$8.6M (1\% \text{ rate}).$

There is, however, a lack of clarity regarding the interplay of federal law and the potential state legislation regarding allowing a local unit of government to receive a 5% franchise fee if they adopt the 1% PEG fee allowed under AB 721.

This issue arises because the Federal Cable Act limits the franchise fees that may be charged a cable system for the use of rights-of-way to 5% of a cable operator's gross revenues from cable service. Franchise fees are defined as "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."

Assembly Bill 721 authorizes local units of government to impose a 1% fee "for the purpose of supporting PEG channels," with no identified offset against existing franchise fees paid. Federal law may preempt the imposition of a PEG fee in excess of the 5% franchise fee, (other than for payments collected "for the cost of building PEG facilities" and "capital costs" for PEG "facilities"). Other PEG-related charges, such as those to support PEG services and equipment, the use of PEG access facilities, or support and training, may be considered franchise fees and may be subject to the 5 percent cap.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Public, educational, and governmental access channel requirements for video service providers and interim cable operators			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$8,600,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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