

**STATE and LOCAL  
FINAL FISCAL IMPACT**

**Drafting Number:** LLS 07-0574

**Date:** May 10, 2007

**Prime Sponsor(s):** Rep. Balmer

**Bill Status:** Postponed Indefinitely

**Fiscal Analyst:** Chris Ward (303-866-5834)

**TITLE:** CONCERNING THE ENABLING OF COMPETITIVE CABLE TELEVISION SERVICES THROUGH THE ISSUANCE BY THE PUBLIC UTILITIES COMMISSION OF STATE-AUTHORIZED FRANCHISES FOR THE DELIVERY OF CABLE TELEVISION SERVICES, AND, IN CONNECTION THEREWITH, PROVIDING GREATER CONSUMER CHOICE, IMPOSING BUILD-OUT REQUIREMENTS ON THE PREDOMINANT SERVICE PROVIDER IN A SPECIFIED GEOGRAPHIC AREA, REQUIRING SERVICE PROVIDERS TO CARRY PUBLIC, EDUCATIONAL, AND GOVERNMENT PROGRAMMING, PROVIDING FOR THE PAYMENT OF FEES, AND PROVIDING FOR ENFORCEMENT OF REQUIREMENTS EXCLUSIVELY THROUGH A COURT OF COMPETENT JURISDICTION.

<b>Fiscal Impact Summary</b>	<b>FY 2007-2008</b>	<b>FY 2008-2009</b>
<b>State Revenue</b>		
Cash Funds - PUC Fixed Utility Fund	\$427,893	\$380,674
<b>State Expenditures</b>		
Cash Funds - PUC Fixed Utility Fund	\$384,415	\$337,196
<b>FTE Position Change</b>	3.8 FTE	3.8 FTE
<b>Effective Date:</b> The bill was postponed indefinitely by the House Transportation and Energy Committee on February 8, 2007.		
<b>Appropriation Summary for FY 2007-2008:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

The bill requires the Public Utilities Commission (PUC) to authorize companies to provide cable and video service throughout Colorado. The PUC must give its authorization within 30 days of the company filing certain information. The bill allows local governments to require that new cable and video service providers pay a fee and carry public, educational, and governmental programming. The bill caps the fee at 5% of gross revenues or the percentage currently paid by the incumbent cable operator, whichever is less. Local governments may also require that the PUC hire an independent auditor to verify the accuracy of calculation of the fee. Local governments may not discriminate among cable service providers or video service providers with respect to rights-of-way, pole attachment, and building access.

The bill prohibits redlining of customers (discrimination based on income, race, or national origin) and gives enforcement authority exclusively to the courts.

### **State Revenue**

The bill authorizes the PUC to charge a fee to cover costs associated with processing applications. Based on the estimated direct costs discussed below, plus indirect costs, total collections are expected to be \$427,893 in FY 2007-08 and \$380,674 in FY 2008-09. All revenue will be credited to the Public Utilities Commission Fixed Utility Fund.

### **State Expenditures**

The bill is expected to increase state expenditures by \$384,415 and 3.8 FTE in FY 2007-08 and \$337,196 and 3.8 FTE in FY 2008-09.

***Department of Regulatory Agencies - Public Utilities Commission.*** The bill requires the PUC to grant authority to any company applying for authorization to provide cable or video services within 30 days of the company filing certain information. To a large degree, the PUC's costs will depend on the number of applications received. The costs identified in this fiscal note assume that the PUC will use a method to review applications for cable and video service that is similar to the method used to review certain telecommunications applications. However, fewer applications are expected for cable and video service providers than for telecommunications service providers. The actual volume of applications is unknown, but this fiscal note assumes the PUC will process 80 applications per year for cable or video service compared to the average of 105 applications for telecommunications and other approval matters received per year under current law. The key components of costs, which are shown in Table 1, include the following:

- processing applications, including the documentation of geographical areas to be served;
- establishing and updating a geographical information system to track approved cable provider areas;
- resolving interconnection conflicts;
- processing terminations; and
- representing the PUC in enforcement actions in court.

All costs will be recovered through fees charged to companies applying for state authorization to provide cable or video services.

<b>Table 1. Estimated Expenditures for the Public Utilities Commission Under HB 07-1222</b>		
<b>Cost Components</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>
Personal Services	\$243,496	\$245,496
FTE	3.8	3.8
Operating Expenses	\$4,651	\$4,651
Capital Outlay (one-time cost)	\$11,419	\$0
Computer Hardware & Software	\$44,300	\$6,500
Legal Services	\$80,549	\$80,549
<b>TOTAL</b>	<b>\$384,415</b>	<b>\$337,196</b>

The estimated costs do not include any potential costs for handling calls from consumers related to cable or video service provided through a state-authorized provider. However, a large volume of calls could affect workload beyond the level identified in this fiscal note.

**Department of Law.** The Department of Law will provide an estimated 1,189 hours of legal services to the PUC, at a cost of \$80,549. These costs will be paid through a cash fund exempt appropriation.

**Judicial Branch.** The bill gives the courts exclusive jurisdiction to enforce requirements under the bill. The potential workload associated with this jurisdiction is unknown, but it could affect costs for the courts. An estimate of this impact will be provided in a revised fiscal note.

**Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates. However, indirect costs are calculated for the purpose of identifying the "per applicant" cost of a new or revised fee to reflect the total direct and indirect costs required to support a particular program.

- group health, life and dental insurance
- inflation indices
- amortization equalization disbursements
- supplemental amortization equalization disbursements
- short-term disability
- leased space
- indirect costs

**Local Government Impact**

Cable providers currently negotiate with municipalities for the provision of cable television services and pay a fee for the use of public rights-of-way. Under the bill, a company that receives state authorization to provide cable or video service in an area already served is required to pay the same rate as the incumbent provider, up to 5 percent of gross revenues. To the extent that this bill

increases the number of subscribers, it will also increase revenue from fees paid to local governments. However, new service providers may be allowed to deduct fees paid to the PUC from gross revenues, which could reduce payments to local governments. In addition, it is unclear whether new cable service providers will have to pay the cost of damage caused to public rights-of-way like existing companies providing cable services through a local franchise.

### **State Appropriations**

This fiscal note implies that the PUC in the Department Regulatory Agencies will require an appropriation of \$384,415 and 3.8 FTE in FY 2007-08 from the Public Utilities Commission Fixed Utility Fund. Of this amount, the Department of Law will a cash fund exempt appropriation of \$80,549.

### **Departments Contacted**

Judicial            Local Affairs            Regulatory Agencies

Note: The Department of Regulatory Agencies and the PUC assume a higher level of workload than is assumed under this fiscal note. Under the PUC's assumptions, the bill would cost \$490,755 in FY 2007-08 and would generate \$547,818 in revenue.