

Other Fiscal Impact - Additional changes to local government revenues of unknown amounts. Any such changes could result from changes in property tax revenues and franchise fees. However, these changes are dependent upon multiple unknown factors and cannot be measured or reasonably quantified.

Assumptions applied to amendments:

- According to the Secretary of State, South Carolina implemented the South Carolina Competitive Services Act in 2006 (SCCSA). The SCCSA required cable franchise applications to be filed with the South Carolina Secretary of State. To date, South Carolina has received 24 applications.
- Based on the number of applications filed in South Carolina, the number of cable or video service providers that will apply for certificates of franchise authority in Tennessee is estimated to be approximately twenty (20) for FY07-08.
- Application fee proposed is \$500 per entity.
- The increase to state revenues resulting from application fees is estimated to be approximately \$10,000 for FY07-08 (20 applications X \$500 fee = \$10,000).
- Due to market saturation and the transferability of such state-issued certificates of franchise authority, any increase to revenues resulting from additional application fees in subsequent fiscal years is estimated as not significant.
- The increase to state expenditures for TRA to administer the provisions of the bill as amended is estimated to be not significant.
- The one-time increase to state expenditures for the Consumer Affairs Division of the Department of Commerce and Insurance to establish a uniform set of rules, including fines and penalties, pursuant to which an affected municipality or county shall resolve subscriber complaints is estimated to be not significant.
- According to the Office of the Comptroller, this bill as amended is not expected to increase departmental expenditures by a significant amount.
- According to the Department of Revenue (DOR), approximately \$50,000,000 in sales tax revenues are collected each year from cable service providers.
- According to DOR, cable services rendered by traditional cable service providers are currently sales taxable services. However, as any such services shift from cable service providers to video service providers, as defined in this bill, those services will become state sales tax-exempt services.
- Due to the competitive advantage of being able to offer services at lower overall rates to end-users due to the offering of new tax-exempt services,

25% of current taxable cable services offered by traditional cable service providers are estimated to shift to tax-exempt services offered by video service providers.

- The decrease to state sales tax revenues is estimated to be \$12,500,000 per year ($\$50,000,000 \times 25\% = \$12,500,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc