

STATE BUDGET passed for 2019-2020 includes “MOTION 50,” which reduces the Video Service Provider fees that cable companies pay to municipalities.



- *Beginning in 2020, Video Service Providers (VSPs) will pay a lower Video Service Provider (VSP) Fee to municipalities. (Wis. Stats. 66.0420 (7)(b) 2m)*
- *State of Wisconsin taxpayers will make up the difference to municipalities through revenue sharing. (Wis. Stats. 79.097)*

Video service providers like AT&T and Charter/Spectrum will pay a lower Video Service Provider (VSP) fee (cable TV franchise fee) to municipalities for use of rights-of-way because of a statutory change included in the 2019-2020 state budget. To make up for the loss in revenue to municipalities, the state will step in and pay the difference using revenue sharing.

Federal law established cable TV franchise fees (called VSP fees in Wisconsin) as a way for cable companies to pay municipalities for the use of the public rights-of-way and to support local public, education and government (PEG) access channel operating costs. The fees are assessed only on the video side of the business. Federal law caps these fees at 5%. Wisconsin is the first state to cap them at a lower level.

The provision passed in the 2019-2020 budget also blocks any municipality from assessing a VSP fee if they did not have one in place on December 31, 2018. *(Wis. Stats. 66.0420 (7)(b) 2m.)*

The budget amendment is a financial boon to video service providers, which will pocket about \$5 million in 2020 and about \$10 million in 2021 and every year after that.

No reason was provided in the motion passed on May 16, 2019 by the Joint Finance Committee about why video service providers, such as the second largest cable company in the nation, Charter Communications, and AT&T, need this subsidy from Wisconsin taxpayers. The author of the motion was Senator Devin LeMahieu (R-Oostburg), who is Chair of the Committee on Utilities and Housing.

DETAILS

Video service providers (VSPs) pay a lower fee to use municipal rights-of-way. (Wis. Stats. 66.0420 (7)(b) 2m)

1. Beginning on January 1, 2020, the VSP fee percentage rate assessed by a municipality is reduced by 0.5%. So if a VSP fee percentage was 5% in 2019, it is 4.5% in 2020. If the percentage was 3% in 2019, it is 2.5% in 2020.
2. Beginning on January 1, 2021, the VSP fee percentage is being reduced another 0.5%. So if a municipality's VSP fee was 4.5% of gross revenues in 2020, it becomes 4%. If a VSP fee was 2.5% in 2020, it becomes 2%. The 2021 fee level would apply in succeeding years. For example, if a municipality assesses a 4% fee in 2021, it will continue to assess that fee percentage in succeeding years.

The State is paying municipalities to cover the loss in fees from video service providers. (Wis. Stats. 79.097)

1. **2020.** The State of Wisconsin is replacing the lost revenue to municipalities in 2020 by paying municipalities an amount equal to 0.5% of VSP gross receipts from 2018.

Eligibility. To be eligible for the 2020 payment from the State, municipalities had to report to the Department of Revenue no later than August 15, 2019: (1) the gross receipt amounts that VSPs reported to them in 2018 and (2) how much they received in VSP fee revenue in 2018 using a form developed

by DOR. DOR released a report showing the information reported by all municipalities who applied for revenue sharing by the deadline. In all, 146 cities, 151 towns and 197 villages applied for revenue sharing and will receive \$4,946,000 from the state in 2020 to replace video service provider revenue.

Payment Schedule. The State must notify municipalities of the amount they will receive by October 1 and make the annual payment to municipalities on or before the 4th Monday in July, 2020.

2. **2021.** The State of Wisconsin is replacing the lost revenue in 2021 by paying municipalities an amount equal to 1.0% of VSP gross receipts for 2019 as reported to municipalities by video service providers.

Eligibility. To be eligible for the annual payment from the State in 2021, municipalities must report to the Department of Revenue no later than August 15, 2020 (1) the gross receipt amounts that VSPs reported to them in 2019 and (2) how much they received in franchise fee revenue in 2019.

Payment Schedule. The State must notify municipalities of the amount they will receive by October 1 and make the annual payment to municipalities on or before the 4th Monday in July, 2021.

3. **2022 forward.** By statute (*Wis. Stats. 79.097*), the State of Wisconsin is required to continue to replace the lost revenue every year by paying municipalities the same amount of money they received in 2021. The State would make the payment on or before the 4th Monday in July. A provision that would have limited the subsidy to ten years was struck from the final version by Governor Evers. Unless the statute is changed, the subsidy continues annually.

State administration.

The Department of Revenue may collect other information from municipalities and may specify the time and manner for the collection of that information. VSPs are required to file annual reports with the Department of Financial Institutions and pay a fee. These reports include subscriber numbers on a per municipality basis.

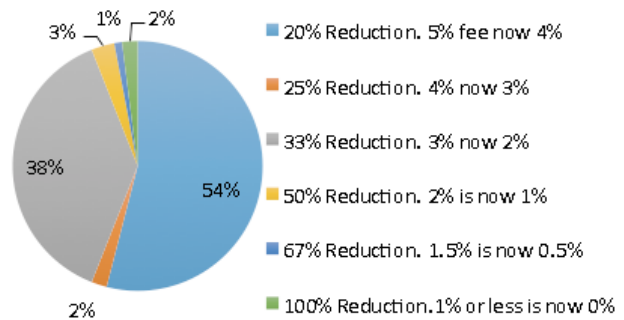
Payments made by video service providers. VSPs continue to pay VSP fees on a quarterly basis to municipalities based on the current definition of gross receipts.

Municipalities that have never collected a VSP fee before will not be able to do so in the future.

Up until this provision was passed, state statutes had allowed municipalities that had not been assessing any video service provider fee to assess up to a 5% fee. This new provision (*Wis. Stats. 66.0420 (7)(b) 2m.*) is listed as an exception to Wis. Stats 66.0420 (7) (a) 1., which had granted that right. Therefore, any municipality that did not assess a video service provider fee by December 2018, will no longer be able to assess a fee in the future. Assuming all municipalities with a VSP fee filed with the Department of Revenue, approximately 47 cities, 159 villages and 529 towns in Wisconsin do not and will never be able to assess a VSP fee for the use of the rights off way or use this fee to support the costs of PEG cable access programming.

Audits of video service provider fees. Municipalities may “review the business records of a video service provider that is required to pay the municipality” going back four years “for the purpose of ensuring proper and accurate payment of a video service provider fee.” (*Wis. Stats. 66.0420 (7) (d)*)

Wisconsin Municipalities Losing Revenue from Video Service Providers by Amount of Reduction



Pie reflects loss beginning in 2021. Based on Wisconsin Department of Revenue data collected from municipalities by August 15, 2019.