

JOINT FINANCE COMMITTEE PASSES MOTION 50

Beginning in 2020, Video Service Providers to pay a lower fee to municipalities; State taxpayers to make up the difference for ten years. Passed on a party line vote, Republicans voting for it.



This provision will be included as an amendment to the state budget.

This state budget amendment reduces the Video Service Provider (VSP) Fees (Cable TV franchise fees) paid by companies like AT&T and Charter/Spectrum to municipalities for use of the rights-of-way and uses state revenue sharing to make up for the millions in lost revenue for the next ten years, through 2029, after which time the VSP Fee will just be a lower percentage of company gross revenues. The statute could always be changed during this ten-year period, however.

According to the motion's description, the budget amendment is a financial boon to Video Service Providers (VSPs), which will pocket more than \$6 million in 2020 and more than \$12 million in 2021. In the years after that, the continuing subsidy to VSPs will depend on the gross revenue they earn from video service, but it is likely to be in the neighborhood of \$10 million per year for the next several years. Their gain is taxpayers' loss.

It will also be a long-term loss for Public, Education, and Government (PEG) Access Channels. Since the passage of state franchise legislation in 2007 forbidding municipalities from putting a small PEG fee on cable (VSP) subscriber bills to support PEG access channels, PEG media center operations have been funded solely from the VSP fee.¹

No reason is provided in the motion passed on May 16 about why Charter, which serves roughly 90% of the state, most of it without competition, and AT&T (which is pushing most of its customers away from cable-based U-Verse to its satellite company, Direct TV) need this subsidy from Wisconsin taxpayers.

Federal law allows municipalities to charge for-profit, price unregulated VSPs these fees for the use of public rights-of-way.² Federal law caps these fees at 5%. No other state franchise in effect in the entire country allows less than a 5% franchise fee. Wisconsin would be the first.

DETAILS

1. Beginning on January 1, 2020, the amendment reduces the VSP fee percentage rate assessed by 0.5%. So if your VSP fee percentage is currently 5%, it would be 4.5%. If the percentage is currently 3% it would be 2.5%.³
2. Beginning on January 1, 2021, the VSP fee percentage would be reduced another 0.5%. So if your VSP fee is currently 5% of gross revenues, it would become 4%. If your VSP fee is currently 3% it would become 2%.
3. The State of Wisconsin would replace the lost revenue to municipalities in 2020 by paying municipalities an amount equal to 0.5% of VSP gross receipts from 2018. The State would make the annual payment to Municipalities on or before the 4th Monday in July, 2020.

¹ Only some municipalities charged these fees, which were typically less than 50 cents per subscriber per month. Federal law allows PEG fees to support the capital needs of PEG media centers.

² Video Service Provider fees are only assessed on the video side of the business, not on broadband or telephone revenue.

³ Franchise fee rates were frozen by 2007 Act 42 and this amendment uses the franchise fee rate in effect on December 31, 2018 as the baseline for the percentage reduction.

To be eligible for the 2020 payment from the State, municipalities must 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.

4. The State of Wisconsin would replace the lost revenue in 2021 by paying municipalities an amount equal to 1.0% of VSP gross receipts from 2019. The State would make the annual payment to Municipalities on or before the 4th Monday in July, 2021.

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.

5. The State of Wisconsin would continue to replace the lost revenue from 2022 to 2029 by paying municipalities the same amount they received in 2021. (That amount was based on 2019 VSP gross revenues.) The State would make the payment on or before the 4th Monday in July.

6. The Department of Revenue would notify municipalities by October 1 of the amount they will receive in July of the next year.

7. The Department of Revenue may collect other information from municipalities and may specify the time and manner for the collection of that information.

8. The amendment does not change any other provisions in the current statute, so VSPs would continue to pay franchise fees on a quarterly basis to municipalities based on the current definition of gross receipts.

9. After 2029, the State payments to municipalities would end and VSPs would continue to pay less of their gross revenues than they do today. For municipalities with a 5% VSP fee today, it would be 4% of gross receipts, which, given trend lines, will be a lower amount of money than what 4% is today.