

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 130 - SB 79**

February 15, 2019

**SUMMARY OF BILL:** Authorizes municipal electric systems to provide cable service, two-way video transmission, video programming, and internet services outside their service area through a joint venture. Authorizes municipal electric systems to provide internet services in certain areas within their service area.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue – Exceeds \$100,000/Permissive**

**Increase Local Expenditures – Exceeds \$100,000/Permissive**

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-52-103 and § 7-52-601, municipal electric systems are authorized to provide such services on their own or in a joint venture, within their service area only.
- The proposed legislation would expand where such services could be provided if the municipal electric is a part of a joint venture.
- Pursuant to Tenn. Code Ann. § 7-52-601, municipal electric systems can provide cable service, two-way video transmission, and internet service within their service area, but for areas which are currently served by privately-held cable television operators or existing telephone cooperatives. The proposed legislation would authorize municipal electric systems to provide internet service only within these areas.
- Pursuant to Tenn. Code Ann. § 7-52-603, a municipal electric system is required to maintain the provisions of such services through revenues collected from providing such services.
- To the extent any municipal electric system chooses to expand such services there will be a permissive increase in local government expenditures for infrastructure needs; however, any permissive increase in expenditures will be met with an equal, corresponding permissive increase in local government revenue by way of subscriber fees which will be determined based on the costs for providing such services to customers.
- While it is unknown how many municipal electric systems will elect to expand services and the amount of infrastructure costs that will be associated with providing such services, a precise permissive recurring increase in local government expenditures and equal corresponding permissive recurring increase in local government revenue cannot

be specifically determined; but both are reasonably estimated to exceed \$100,000 statewide.

## **IMPACT TO COMMERCE:**

**Other Fiscal Impact – Due to multiple unknown factors, the precise impact to commerce and jobs in Tennessee cannot reasonably be determined.**

Assumptions:

- It is unknown how many municipal electric systems currently provide such services through a joint venture. Any expansion to the available service area would result in an increase in business revenue, but also a potential decrease in business revenue of other providers of such services within the impacted area.
- Authorizing municipal electric systems to provide internet coverage within their service area, within the existing service area of a privately-held cable television provider will result in a change to business revenues for the private provider; however, it is unknown how many municipal electric systems will opt to expand into this service area, when such services will be available to customers, the extent of customers with a new option in service providers, and the extent of any impact to rates charged by private businesses for these services as a direct result of the competition provided by municipal electric systems.
- The extent to which business expenditures will change as a result of this legislation is unknown because such impacts are dependent upon the reactions of such private entities as a result of municipal electric systems entering the market for the provision of such services. Such business expenditure changes could include, but not be limited to, reducing staff, reducing or increasing technology development expenditures, or increasing advertising and marketing expenditures in attempts to retain market share.
- Due to multiple unknown factors, the precise impact to commerce and jobs in Tennessee cannot reasonably be determined.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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