



February 23, 2022

SUMMARY OF BILL: Authorizes a rural electric cooperative (Cooperative) to provide broadband services outside the service area of its electric system if consent is obtained from municipal electric systems (MES) or electric cooperative systems in whose service area the cooperative will provide the services. Removes prohibition of such Cooperative or joint venture of such cooperatives from providing alarm systems.

FISCAL IMPACT:

Other Fiscal Impact – Due to multiple unknown factors, a precise increase in state revenue from payment of Franchise & Excise taxes by rural electric cooperatives providing broadband service outside their current service area and from such cooperatives obtaining alarm contractor certification or licensure cannot reasonably be determined.

Assumptions:

- Pursuant to Tenn. Code Ann. § 65-25-102 and § 65-25-134, Cooperatives are nonprofit, non-governmental entities that are authorized to provide telecommunications and broadband internet access within the Cooperative's service area.
- The proposed language would authorize a Cooperative to provide broadband internet access, internet protocol-based video, video programming, or related or similar services outside of their current service if consent is obtained from the municipal electric systems or any other Cooperative in whose service area the Cooperative will provide the services.
- As Cooperatives are nonprofit entities, any fiscal impact to local government as a result of expansion of services is estimated to be not significant.
- It can be reasonably assumed that an MES will not consent to a Cooperative providing broadband services within the municipal service area if the MES currently provides that same service; therefore, authorizing a Cooperative to expand its broadband services into the service area of a MES will not result in any significant impact to local government.
- Pursuant to Tenn. Code Ann. § 67-4-2007(a) and § 67-4-2105(a), nonprofit businesses are not responsible for paying franchise and excise (F&E) taxes, except for earnings and net worth which are garnered outside of the original scope of business for which nonprofit status was originally granted.
- It is assumed that any Cooperative opting to provide broadband service will be responsible for paying F&E taxes; however, due to multiple unknown variables such as how many Cooperatives have opted to provide broadband service, the extent of their

earnings and net worth earned from broadband service, and any increase in such earnings due to the ability to expand the service area where broadband service is provided, a precise increase in state revenue cannot reasonably be determined.

- Removing the prohibition of Cooperatives from providing alarm systems may result in an increase to number of applicants seeking an alarm contractor certification or license; however, it is not known how many Cooperatives will choose to obtain alarm contractor certification or licensure and, therefore, any increase to state revenue cannot reasonably be determined.

IMPACT TO COMMERCE:

Other Commerce Impact – Due to multiple unknown factors, a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.

Assumptions:

- Authorizing Cooperatives to provide broadband services outside of their service area will result in a change to business revenues for private companies currently providing such services; however it is unknown how many such organizations will opt to expand their 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 such service as a direct result of the competition provided by such entities.
- Removing the prohibition of Cooperatives from providing alarm systems may result in Cooperatives choosing to obtain alarm contractor certification or licensure or how that, in turn, may cause a reduction in the private alarm systems' customer base.
- Due to multiple unknown factors a precise impact to business revenue 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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