

LEGISLATIVE HEARING CALENDAR

Positions to be taken by the City of Milwaukee on the following bills will be discussed by the

COMMITTEE ON JUDICIARY-LEGISLATION

MONDAY, APRIL 30, 2007 AT 9:00 AM

Room 301-B City Hall

- AB-162 Resisting arrest while armed with or threatening to use a dangerous weapon.
- AB-86 Ballast water management, making an appropriation, and providing a penalty.
SB-119
- AB-207 Regulation of cable television and video service providers.
SB-107

2007 ASSEMBLY BILL 162

March 12, 2007 – Introduced by Representatives FRISKE, BIES, KLEEFISCH, M. WILLIAMS, LEMAHIEU, HAHN, NASS, MUSSER, HINES, LOTHIAN and HRAYCHUCK, cosponsored by Senator GROTHMAN. Referred to Committee on Criminal Justice.

1 AN ACT *to repeal* 946.415 (2) (a); *to amend* 946.415 (2) (b) and (c); and *to repeal*
2 *and recreate* 946.415 (title) of the statutes; **relating to:** resisting arrest while
3 armed with or threatening to use a dangerous weapon.

Analysis by the Legislative Reference Bureau

Under current law, a person who knowingly resists a law enforcement officer while the officer is acting in his or her official capacity and with lawful authority is guilty of a Class A misdemeanor. Resisting arrest while armed or threatening to use a dangerous weapon and retreating or remaining in a building or place is a Class I felony. Specifically, a person commits a Class I felony if all of the following conditions are satisfied: 1) the person refuses to comply with a law enforcement officer's lawful attempt to take the person into custody; 2) the person retreats or remains in a building or place; 3) the person, through action or threat, attempts to prevent the officer from taking him or her into custody; and 4) the person is armed with or threatens to use a dangerous weapon. (A description of penalties is provided below.)

This bill eliminates the condition that a person must retreat or remain in a building or place to be convicted of a Class I felony for resisting arrest while armed with or threatening to use a dangerous weapon. Also, the bill eliminates the condition for the crime that a person must refuse to comply with the officer's lawful attempt to take the person into custody, but retains the condition that the person, through action or threat, attempt to prevent the officer from taking the person into custody.

For a Class A misdemeanor, a person may be fined not more than \$10,000, confined for up to nine months, or both fined and confined. For a Class I felony, a

2007 ASSEMBLY BILL 86

February 22, 2007 – Introduced by Representatives MOLEPSKE, BIES, CULLEN, HAHN, HILGENBERG, HINTZ, KREUSER, POCAN, SHERIDAN, SINICKI, SOLETSKI, TOWNSEND, TURNER, WASSERMAN, ZEPNICK, RICHARDS, VOS, M. WILLIAMS, MASON, STEINBRINK, BLACK, SCHNEIDER, HRAYCHUCK, HEBL and J. OTT, cosponsored by Senators WIRCH, SCHULTZ, HANSEN, ROESSLER, LASSA, PLALE, RISSER and COGGS. Referred to Committee on Natural Resources.

1 AN ACT *to create* 20.370 (4) (aw) and 23.245 of the statutes; **relating to:** ballast
2 water management, making an appropriation, and providing a penalty.

Analysis by the Legislative Reference Bureau

This bill requires a person who operates an oceangoing vessel that uses a port in this state to obtain a permit from the Department of Natural Resources (DNR). To obtain a permit, the person must demonstrate to DNR that the vessel is not capable of taking on ballast water or that the vessel is equipped with technology that DNR determines will prevent the introduction of aquatic nuisance species into the Great Lakes. Aquatic nuisance species are plants and animals that are not native and that threaten the diversity or abundance of native species or the ecological stability of infested waters or that threaten commercial, agricultural, or recreational activities that are dependent on infested waters. A person who operates an oceangoing vessel without a permit or operates in violation of a permit is subject to a forfeiture (a civil monetary penalty) of up to \$25,000 for each day of violation.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 20.370 (4) (aw) of the statutes is created to read:

2007 ASSEMBLY BILL 207

March 22, 2007 – Introduced by Representatives MONTGOMERY, PETERSEN, ZEPNICK, KRAMER, LOTHIAN, SHERIDAN, HONADEL, NERISON, DAVIS, FIELDS, NEWCOMER, NYGREN, MOULTON, SUDER, RHOADES, FRISKE, KLEEFISCH, VOS, HUEBSCH, VAN ROY, KESTELL, BOYLE, MASON, F. LASEE, A. OTT, VUKMIR, BIES, ALBERS, WOOD, KERKMAN, TOWNSEND, MURTHA, LEMAHIEU, PRIDEMORE and SINICKI, cosponsored by Senators PLALE, WIRCH, HANSEN, KANAVAS, A. LASEE, SCHULTZ, DARLING and LEIBHAM. Referred to Committee on Energy and Utilities.

1 **AN ACT** *to repeal* 60.23 (24), 66.0419 (title), (1), (2) and (3), 66.0421 (1) (a),
2 66.0421 (1) (b), 66.0422 (1) (a), 100.209, 196.04 (4) (a) 1. and 196.204 (7); **to**
3 *renumber* 196.04 (4) (a) 2. a. to e.; **to renumber and amend** 66.0419 (3m) and
4 943.46 (1) (a); **to consolidate, renumber and amend** 196.04 (4) (a) (intro.)
5 and 2. (intro.); **to amend** 11.01 (17g), 20.395 (3) (jh), 25.40 (1) (a) 4m., 66.0421
6 (title), 66.0421 (2), 66.0421 (3), 66.0421 (4), 66.0422 (title), 66.0422 (2) (intro.),
7 66.0422 (3) (b), 66.0422 (3n), 70.111 (25), 76.80 (3), 77.52 (2) (a) 12., 100.195 (1)
8 (c) 2., 165.25 (4) (ar), 196.01 (1g), 196.01 (9m), 196.04 (4) (b), 196.195 (5),
9 196.203 (1m), 196.203 (3) (b) (intro.), 196.203 (3) (b) 2., 196.203 (3) (c), 196.203
10 (3) (d), 196.203 (3) (e) 1. (intro.), 196.50 (1) (b) 2. e., 196.50 (1) (c), 196.85 (1m)
11 (b), 943.46 (title), 943.46 (2) (a), 943.46 (2) (b), 943.46 (2) (c), 943.46 (2) (d),
12 943.46 (2) (e), 943.46 (2) (f), 943.46 (2) (g) and 943.46 (5); **to repeal and**
13 **recreate** 100.195 (1) (h) 1. and 196.01 (1p); and **to create** 66.0420, 66.0421 (1)
14 (c), 66.0421 (1) (d), 66.0422 (1) (d), 196.01 (12g), 196.01 (12r), 943.46 (1) (d) and

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1 943.46 (1) (e) of the statutes; **relating to:** regulation of cable television and
2 video service providers.

Analysis by the Legislative Reference Bureau

Current federal law generally prohibits a person from providing cable service without a cable franchise. Under current federal and state law, cable service is defined, in part, as the one-way transmission of “video programming,” which is defined as programming provided by, or generally considered comparable to, programming provided by a television broadcast station. Current federal law allows either states or municipalities to grant cable franchises to persons who provide cable service, which are referred to as “cable operators.” Under current state law, municipalities (i.e., cities, villages, and towns) grant or revoke franchises. In addition, current state law allows a municipality to require a cable operator to pay a franchise fee to the municipality that is based on the operator’s income or gross revenues.

This bill repeals state law authorizing municipalities to grant cable franchises to cable operators. Instead, the bill requires a person who provides “video service” to obtain a video service franchise from the Department of Financial Institutions (DFI). The bill defines “video service” as any video programming service, cable service, or service provided by certain “open video systems,” without regard to delivery technology, but only if the service is provided through facilities that are located, at least in part, in public rights-of-way. (An “open video system” is system regulated under federal law that combines features of cable television and telecommunications systems.) The bill’s definitions of “video programming” and “cable service” are comparable to the definitions under current law described above. As a result, video service includes both the one-way and two-way transmission of video programming. However, the following types of video programming are excluded from the definition of “video service”: 1) video programming provided by wireless telephone companies; and 2) video programming provided solely as part of and via a service that enables users to access content, information, electronic mail, and other services offered over the public Internet.

Under the bill, if a person has not been issued a cable franchise under current law, the person may not provide video service unless DFI issues a video service franchise to the person. The bill allows a cable operator who has been issued a cable franchise under current law to provide cable service under the cable franchise until the cable franchise expires, or apply to DFI for a video service franchise. The bill refers to a cable operator who elects to provide cable service until the expiration of a cable franchise as an “interim cable operator.” Upon the expiration of a cable franchise, an interim cable operator must apply to DFI for a video service franchise in order to continue to provide cable service. If a cable operator elects to apply for a video service franchise before the expiration of its cable franchise, the bill provides that the cable franchise terminates upon DFI’s issuance of a video service franchise. Also, if a cable operator’s cable franchise expired before the effective date of the bill

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and the cable operator was providing cable service immediately before the bill's effective date, the bill allows such a cable operator to continue to provide cable service. However, the cable operator must apply for a video service franchise by a deadline that is approximately one month after the bill's effective date.

Application process. The bill requires an applicant for a video service franchise to submit an application to DFI that consists of certain business information about the applicant and an affidavit affirming that the applicant will comply with federal filing requirements, as well as state and federal laws regarding video service. In addition, the applicant must describe the areas of the state in which the applicant intends to provide video service, which the bill defines as the "video franchise area," as well as the dates on which the applicant intends to begin providing service in such areas.

At the time an applicant submits an application, the applicant must serve a copy of the application on each municipality in the video franchise area. If such a municipality has granted a cable franchise to a cable operator under current law, the municipality must, not later than ten business days after receipt of the copy, notify the applicant of the following: 1) the percentage of revenues that cable operators are required to pay the municipality as franchise fees under current law; and 2) the number of "PEG channels" for which cable operators are required by the municipality to provide channel capacity. The bill defines "PEG channel" as a channel designated for noncommercial public, educational, or governmental use.

No later than ten business days after receipt of an application, DFI must notify the applicant as to whether the application is complete. No later than ten business days after receipt of an application that DFI determines is complete, DFI must issue a video service franchise to the applicant. If DFI fails to meet this deadline, the bill provides that DFI is considered to have issued a video service franchise to the applicant, unless the applicant withdraws the application or agrees with DFI for an extension of time. The bill refers to a person to whom DFI issues, or is considered to have issued, a video service franchise as a "video service provider."

Video service franchises. A video service franchise under the bill authorizes a video service provider to occupy public rights-of-way and construct, operate, maintain, and repair a video service network in the video franchise area. A video service franchise does not expire, unless a video service provider gives 30 days' advance notice to DFI that the video service provider intends to terminate the video service franchise. A video service provider may transfer a video service franchise to any successor-in-interest, including a successor-in-interest that arises through merger, sale, assignment, restructuring, change of control, or any other transaction. A video service provider and a transferee must notify DFI and affected municipalities about the transfer, but the bill prohibits DFI and municipalities from reviewing or approving the transfer.

Video service franchise fees. The bill requires a video service provider to pay a fee on a quarterly calendar basis to each municipality in which the video service provider provides video service. The bill refers to the fee as a "video service franchise fee." The amount of the video service franchise fee is based on a percentage of the video service service provider's "gross receipts," which is defined in the bill. If no

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cable operator was required under current law to pay a franchise fee based on a percentage of gross revenues to a municipality on the effective date of the bill, a video service provider must pay a video service franchise fee to the municipality that is equal to 5 percent of the video service provider's gross receipts, or a lesser percentage specified by the municipality. If only one cable operator was required under current law to pay a franchise fee based on a percentage of gross revenues to a municipality on the effective date of the bill, a video service provider must pay a video service franchise fee to the municipality that is equal to that percentage or 5 percent, whichever is less. If more than one cable operator was required under current law to pay a franchise fee based on a percentage of gross revenues to a municipality on the effective date of the bill, a video service provider must pay a video service franchise fee to the municipality that is equal to the lowest such percentage or 5 percent, whichever is less.

As noted above, no later than ten business days after a municipality is served a copy of a video service provider's application for a video service franchise, the municipality must notify the video service provider of the percentage of revenues that cable operators are required to pay the municipality as franchise fees under current law. If a municipality is not required to make such a notification, the video service provider's duty to pay a video service franchise fee first applies to the quarter in which the video service provider begins to provide video service in the municipality. If the municipality is required to make such a notification, and makes the notification before the deadline, the video service provider's duty first applies to the quarter in which the video service provider begins to provide video service, or the quarter that includes the 45th day after the video service provider receives the notification, whichever is later. If the municipality fails to comply with the deadline, a video service provider is not required to pay a video service provider fee until the 45th day after the end of the quarter in which the municipality ultimately provides the notification, and no other video service provider or interim cable operator is required to pay a video service provider fee or franchise fee until the same date.

The bill allows municipalities to review the business records of a video service provider no more than once in any three-year period for the purpose of ensuring proper and accurate payment of a video service provider fee. The bill prohibits a video service provider or municipality from bringing an action in court regarding the amount of a video service provider fee until the parties have completed good faith settlement negotiations. In addition, an action regarding a dispute over such an amount must be commenced within three years following the calendar quarter to which the disputed amount relates, or is barred, unless the parties agree to an extension of time.

PEG channels. The bill imposes limitations on the number of PEG channels for which a municipality may require a video service provider to provide channel capacity. If, immediately before the effective date of the bill, a municipality required a cable operator to provide channel capacity for a specified number of PEG channels, the municipality must require all video service providers and interim cable operators to provide channel capacity for that specified number of PEG channels. If a municipality did not require a cable operator to provide such channel capacity, then

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the number of PEG channels for which a municipality may require channel capacity depends on the population of the municipality. If the municipality's population is 50,000 or more, the municipality may require each video service provider and interim cable operator to provide channel capacity for up to three PEG channels. If the municipality's population is less than 50,000, the municipality may require each video service provider and interim cable operator to provide channel capacity for up to two PEG channels. If an interim cable operator or video service provider distributes video programming to more than one municipality through a single headend or video hub office, the bill requires the populations of the municipalities to be aggregated for the purpose of applying the foregoing requirements.

The bill includes requirements for determining when the duty of a video service provider to provide channel capacity for PEG channels first applies. As noted above, no later than ten business days after a municipality is served a copy of a video service provider's application for a video service franchise, the municipality must notify the video service provider of the number of PEG channels for which cable operators are required provide channel capacity. In general, the duty of a video service provider begins on the date on which the video service provider begins to provide video service in the municipality, or on the 90th day after the video service provider receives the municipality's notice, whichever is later. However, if a municipality fails to comply with the ten-business-day deadline, no video service provider or interim cable operator is required to provide channel capacity for PEG channels until the 90th day after the municipality ultimately provides the notice.

The bill also allows video service providers and interim cable operators to reprogram channel capacity for PEG channels that is not substantially utilized, as determined under the bill, by a municipality. Under certain circumstances, the bill allows a municipality to require the restoration of channel capacity for PEG channels.

The bill creates other requirements for PEG channels, including the following: 1) the bill prohibits municipalities from requiring video service providers and interim cable operators from providing funds, services, programming, facilities, or equipment related to public, educational, or governmental use of channel capacity; 2) the bill imposes specified duties on municipalities regarding the provision of content and programming PEG channels; 3) the bill imposes limits on the amount of transmission line that a video service provider or interim cable operator may be required to provide for making a connection to the municipality's PEG channel programming distribution point; and 4) the bill imposes requirements on video service providers and interim cable operators regarding interconnection that is necessary for transmitting PEG channel programming.

Discrimination and access. In general, the bill prohibits a video service provider from denying access to video service to any group of potential residential customers in a video franchise area because of the race or income of the residents in the local area in which the group resides. The bill creates a defense against an alleged violation of the prohibition regarding income for a video service provider if either of the following are satisfied: 1) no later than three years after the video service provider begins to provide video service, at least 25 percent of households

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with access to the video service provider's video service are low-income households; or 2) no later than five years after the video service provider begins to provide video service, at least 30 percent of households with access to the video service provider's video service are low-income households. The bill defines "low-income household" as a household whose aggregate income is not more than \$35,000, as identified by the United States Census Bureau as of January 1, 2007. Under certain circumstances, the bill allows DFI to grant a video service provider an extension of the time limits specified in the defense.

The bill also imposes access requirements on certain video service providers that use telecommunications facilities to provide video service. The access requirements apply if a video service provider has more than 500,000 basic local exchange access lines in the state. No later than three years after such a video service provider begins to provide video service, the video service provider must provide access to its video service to not less than 25 percent of the households within the video service provider's basic local exchange area that is on file with the Public Service Commission (PSC). In addition, no later than six years after such a video service provider begins to provide video service, or no later than two years after at least 30 percent of households with access to such a video service provider's video service subscribe to the service for six consecutive months, whichever occurs later, the video service provider must provide access to its video service to not less than 50 percent of the households within the video service provider's basic local exchange area that is on file with the PSC. Such a video service provider must file annual reports with DFI regarding progress in complying with the access requirements. Under certain circumstances, the bill allows DFI to grant such a video service provider an extension of the foregoing time limits or a waiver from the need to comply with the foregoing requirements.

Customer service standards. Except as noted below, the bill allows a municipality, upon 90 days' advance notice, to require a video service provider to comply with certain customer service standards set forth in regulations promulgated by the Federal Communications Commission (FCC). The bill prohibits DFI and municipalities from imposing any additional or different customer service standards. In addition, the bill provides that, except for customer service standards promulgated by rule by the Department of Agriculture, Trade and Consumer Protection (DATCP), a video service provider in a municipality may not be subject to any customer service standards if at least one other person offers video or cable service in the municipality, or if the video service provider is subject to effective competition, as determined under FCC regulations. If one of the foregoing conditions is satisfied, a municipality may not impose the FCC customer service standards mentioned above.

Rate regulation. The bill prohibits DFI and municipalities from regulating video or cable service rates of video service providers or interim cable operators that provide service in a municipality if at least one other unaffiliated video service provider or interim cable operator serves the municipality.

Municipal authority. The bill provides that, for purposes of federal law, the state is the exclusive franchising authority for video service providers in this state.

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In addition, the bill prohibits municipalities from requiring a video service provider to obtain a franchise to provide video service or imposing on video service providers any fee or requirement relating to the construction of a video service network or the provision of video service, except as otherwise authorized under the bill. Also, the bill provides that, if a video service provider pays video service provider fees to a municipality as required under the bill, the municipality may not require the video service provider to pay any compensation allowed under current law for obstructions or excavations, or pay any permit fee, encroachment fee, degradation fee, or any other fee, for the occupation of or work within public rights-of-way.

Rule making and enforcement. The bill prohibits DFI from promulgating any rules interpreting the bill's provisions, or establishing procedures for the bill's requirements. The bill allows a municipality, video service provider, or interim cable operator that is affected by a failure to comply with the bill to bring an action in court to enforce the bill. (Court actions regarding disputes over video service provider fees are subject to additional requirements discussed above.) In addition, the bill allows the Department of Justice to bring an action to enforce the bill.

Other provisions. The bill also does all of the following:

1. The bill allows certain persons to provide video service before they are issued a video service franchise. The persons who are allowed to do so are persons, other than cable operators, who provide video service and who apply to DFI for a video service franchise no later than approximately one month after the bill's effective date.

2. The bill requires a video service provider to give at least ten days advance notice to a municipality before providing video service in the municipality.

3. The bill requires a video service provider to notify DFI about any changes in the information included in an application for a video service franchise, including any expansions of a video franchise area.

4. The bill prohibits state agencies and municipalities from requiring video service providers and interim cable operators to provide institutional networks or equivalent capacity. The bill defines "institutional network" as a network that connects governmental, educational, and community institutions.

5. The bill repeals requirements enforced by DATCP and district attorneys regarding cable television subscriber rights regarding service interruptions and disconnections, repairs, program service deletions, and rate increases.

6. The bill repeals a prohibition under current law on the provision of electronically published news, feature and entertainment material, and electronic advertising service by certain telecommunications utilities.

7. The bill changes other requirements under current law that apply or refer to cable television or cable operators so that they also apply or refer to video service or video service providers. Such requirements include the following: 1) requirements applicable to access to cable service in multiunit dwellings, mobile home parks, and condominiums; 2) requirements applicable to a municipality's construction, ownership, or operation of facilities for providing cable service, telecommunications service, or broadband service; 3) exemptions related to the telephone company tax and the personal property tax; 4) the sales and use tax on the sale of cable television

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system services; 5) certain requirements enforced by the PSC regarding extensions by utilities and cable operators over the rights-of-way of other utilities and cable operators; and 6) theft of cable service.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 11.01 (17g) of the statutes is amended to read:

2 11.01 **(17g)** "Public access channel" means a PEG channel ~~that is required~~
3 ~~under a franchise granted under s. 66.0419 (3) (b) by a city, village, or town to a cable~~
4 ~~operator, as defined in s. 66.0419 (2) (b), and, as defined in s. 66.0420 (2) (s), that is~~
5 used for public access purposes, but does not include a PEG channel that is used for
6 governmental or educational purposes.

7 **SECTION 2.** 20.395 (3) (jh) of the statutes is amended to read:

8 20.395 **(3)** (jh) *Utility facilities within highway rights-of-way, state funds.*
9 From the general fund, all moneys received from telecommunications providers, as
10 defined in s. 196.01 (8p), or cable television telecommunications service providers,
11 as defined in s. 196.01 (1r), for activities related to locating, accommodating,
12 operating, or maintaining utility facilities within highway rights-of-way, for such
13 purposes.

14 **SECTION 3.** 25.40 (1) (a) 4m. of the statutes is amended to read:

15 25.40 **(1)** (a) 4m. Moneys received from telecommunications providers or cable
16 television telecommunications service providers that are deposited in the general
17 fund and credited to the appropriation account under s. 20.395 (3) (jh).



WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO

<p>2007 Assembly Bill 207</p>	<p>Assembly Substitute Amendment 1 and Assembly Amendments 1, 2, and 3 to Assembly Substitute Amendment 1</p>
<p><i>Memo published:</i> April 23, 2007</p>	<p><i>Contacts:</i> John Stolzenberg, Chief of Research Services (266-2988) David L. Lovell, Senior Analyst (266-1537)</p>

2007 Assembly Bill 207 replaces municipal franchising of cable television service with a streamlined state franchising process for video services offered by cable service providers and telecommunications providers. This new process reduces the state's and municipalities' roles in regulating those services.

2007 Senate Bill 107 is the companion bill to Assembly Bill 207. Footnotes to titles identify which amendments to these two bills are identical.

ASSEMBLY SUBSTITUTE AMENDMENT 1¹

Legislative Findings

The substitute amendment replaces the current statement of legislative findings and intent in current municipal franchising law with eight legislative findings relating to the purposes of the state video franchising framework created by the substitute amendment. These purposes are summarized in the last finding as follows:

This section is an enactment of statewide concern for the purpose of providing uniform regulation of video service that promotes investment in communications and video infrastructures in the continued development of the state's video service marketplace within a framework that is fair and equitable to all providers. [Proposed s. 66.0420 (1) (h).]

¹ Assembly Substitute Amendment 1 is identical to Senate Substitute Amendment 1 to Senate Bill 107.

Applicability

The substitute amendment applies to “video programming” and “video service” provided by “video service providers.” “Video programming” is defined as “programming provided by, or generally considered comparable to programming provided by, a television broadcast station.” “Video service” is defined, effectively, as video programming provided by a cable service provider or a telecommunications service provider through wireline-based facilities. “Video service” does *not* include video programming provided by cellular telephone, satellite, broadcast television, or Internet access. A “video service provider” is any person that holds a state video franchise, or a successor or assign of such a person.

State Franchising

The substitute amendment specifies that the state is the exclusive franchising authority for video service providers in Wisconsin under federal cable law. It phases out existing municipal franchise agreements by prohibiting their renewal and allowing cable operators to terminate them prior to their expiration. It further prohibits municipalities from requiring video service providers to obtain new municipal franchises. In their place, it requires video service providers to obtain a state franchise that applies statewide. An incumbent cable operator may choose to continue operating under an existing municipal franchise for the remaining life of that franchise; the substitute amendment refers to these as “interim cable operators.”²

Authority to Provide Video Service

Application for Franchise

The substitute amendment requires that, in general, a person who intends to provide video service in this state must apply to the Department of Financial Institutions (DFI) for a franchise. The application consists of specified information and certifications and must be accompanied by a \$1,000 application fee. Among other things, the applicant must certify that it is legally, financially, and technically qualified to provide video service and must specify the services it will provide and the areas in which it intends to provide video service (its “video franchise area”).

DFI must notify the applicant whether the application is complete within 15 business days of receiving an application.

Within 15 business days of receiving a complete application, the DFI must determine whether the applicant is legally, financially, and technically qualified to provide the service. If it determines the applicant is qualified, it must issue the applicant a franchise; if it determines the applicant is not qualified, it must reject the application and state its reasons in writing. If the DFI fails to issue the franchise in the required time, it will be considered to have issued the franchise unless the applicant withdraws the application or agrees to an extension of DFI’s review period.

In the case of an application by a telecommunications utility or a “qualified cable operator,” it is presumed that the applicant is legally, financially, and technically qualified. “Qualified cable operator” is defined as any of the following: a cable operator that has provided cable service in this state for at least three years and has never had a franchise revoked by a municipality or an affiliate of such a cable

² Because an interim cable operator does not hold a state franchise, it is not included in the term “video service provider.” Consequently, provisions of the substitute amendment that refers only to video service providers do not apply to interim cable operators.

operator, or a cable operator that, on the date of application, is one of the 10 largest video service providers in the United States or the parent company of such a cable operator.

Application Update

A video service provider must provide an update of information in its application to the DFI within 10 business days of any change to that information. If the change involves an expansion of its video franchise area, the video service provider must inform the DFI of the change as soon as practicable after determining to make the change, but no less than 10 business days before commencing service in the expanded area.

For most categories of information, an update must be accompanied by a fee of \$100.

Transfer of Franchise

Under the substitute amendment, a video service provider may transfer its franchise to any successor-in-interest. It must inform the DFI of the transfer no later than 10 days after the transfer is complete. The new video service provider must provide to the DFI the contact information and certifications required in a franchise application, but the substitute amendment does not specify a timeframe for this requirement. Neither the DFI nor any municipality has authority to review or approve a transfer of a franchise.

Franchise Expiration and Revocation

A franchise does not expire unless the franchise holder terminates it.

DFI may revoke a video service franchise if it determines that the video service provider has “willfully and knowingly repeatedly failed to substantially meet a material requirement” of the statewide video franchise statute created by the substitute amendment, unless the DFI has granted the video service operator a waiver from the requirement. The DFI may not commence a revocation proceeding without first providing the video service provider with notice and an opportunity to cure any alleged violation. DFI’s revocation proceeding must be a contested case, a quasi-judicial proceeding that includes such elements as sworn testimony, cross-examination, and the creation of a formal record that can be appealed to court.

Notices to Municipalities

Under the substitute amendment, an applicant for a state franchise must provide a copy of its application to each municipality in its video franchise area at the time that it submits the application to the DFI. Similarly, a video service provider must provide copies of any application information updates (including expansions of its video franchise area) to the municipalities and provide municipalities information related to the transfer of a franchise.

A video service provider must provide a municipality notice 10 days prior to commencing service in the municipality.

Notices by Municipalities

If a municipality that has a cable franchise agreement in effect on the effective date of the law receives a notice that a video service provider will commence providing service within its territory, the municipality must provide a written notice to the video service provider, within 10 business days of receiving the notice, stating the following: (1) the number of public, educational, or governmental

(PEG) channels the incumbent cable operator is required to provide in the municipality; and (2) the “percentage of revenues” that the incumbent cable operator is required to pay the municipality as franchise fees. The same requirement applies when a municipality receives notice that a video service provider has expanded its video service area to include the municipality.

Video Service Provider Fee

Imposition and Amount of Fee

The substitute amendment requires that video service providers make quarterly payments to the municipalities in which they provide service equal to not more than 5% of the provider’s gross receipts for that quarter. If, on the effective date of the law, a cable operator is paying a franchise fee that is less than 5% of gross receipts, the new fee will be that lower percentage; if more than one cable operator is providing cable service in a municipality and are all paying fees less than 5%, the new fee is the lowest of those fees.

In the substitute amendment, “gross receipts” means all revenues received by a video service provider from subscribers in a municipality for video service. It explicitly ***includes***: recurring charges for video service; event-based charges (e.g., pay-per-view); equipment rental (e.g., set top boxes); service charges (for, e.g., activation, installation, repair, and maintenance); and administrative charges. It explicitly ***excludes***: discounts, refunds, and other price adjustments; uncollectible fees (those written off as bad debt but later collected are included, less the expense of collection); late payment charges; maintenance charges; amounts billed to recover taxes, fees, surcharges, or assessments; revenue from the sale of certain capital assets or surplus equipment; charges for nonvideo services that are bundled with video services; and reimbursement by programmers of marketing costs actually incurred by the video service provider.

Fee payments are due no later than 45 days after the close of a calendar quarter. In general, the video service provider’s obligation to pay the fee commences in the quarter in which it commences service. If a municipality fails to notify the video service provider of the percentage of franchise fees and number of PEG channels required under prior cable franchise agreements within the 10-day deadline set by the substitute amendment, described earlier, the video service provider’s obligation commences in the quarter that includes the 45th day after the municipality provides that notice.

In a number of provisions, the substitute amendment prohibits a municipality from imposing any fee or charge on a video service provider beyond the video service provider fee. Since these provisions do not mention interim cable operators, it appears that the prohibition on additional fees does not apply in their case.

Enforcement of Fee and Other Provisions

The substitute amendment allows a municipality to review a video service provider’s records to ensure proper and accurate payment of the fee, but limit this review to no more than once in any three-year period. The parties must complete good-faith settlement discussions regarding any dispute regarding the amount of a fee before either party may bring an action regarding the disputed fee.

In any subsequent litigation, these negotiations will be treated as compromise negotiations under the state courts’ rules of evidence. The effect of this treatment is that any settlement offer made during the negotiations may not be used as evidence that the dispute over the fee is valid or as evidence regarding the amount of the disputed fee.

Unless the parties agree otherwise, any action that is brought must be commenced within three years of the quarter to which the disputed amount relates. Neither party may recover the costs it incurs in the course of such litigation.

All determinations and calculations regarding video service provider fees must be made using generally accepted accounting practices. Also, the substitute amendment specifically allows video service providers to itemize on customers' bills the amount billed to recover the fee.

PEG Channels

Requirement; Number of PEG Channels

The substitute amendment requires a video service provider to make available to a municipality in which it provides service channels for noncommercial PEG programming. If an incumbent cable operator is providing channel capacity for PEG channels to a municipality under a cable franchise immediately before the substitute amendment's effective date, the municipality must require each interim cable operator or video service provider that provides video service in the municipality to provide channel capacity for the same number of PEG channels for which channel capacity is provided immediately before the effective date.

In general, if no incumbent cable operator is providing PEG channel capacity under a cable franchise prior to the effective date, then for a municipality with a population of 50,000 or more, each provider must provide three PEG channels and, for a municipality with a population less than 50,000, each must provide two PEG channels.

An exception applies if no incumbent cable operator is providing PEG channel capacity under a franchise prior to the effective date and a particular interim cable operator or video service provider distributes programming to more than one municipality from a single head end or hub office. In this instance, the operator or provider is required to provide the number of PEG channels to those municipalities collectively corresponding to their collective population. If the collective population is 50,000 or more, the municipalities collectively may not require capacity for more than three PEG channels. If the collective population is less than 50,000, not more than two PEG channels may be required.

In a municipality where there is no incumbent cable operator, the video service provider must make the PEG channels available beginning on the date that it commences service in the municipality. If there is an incumbent cable operator, and the municipality is therefore required to notify the video service provider of the number of PEG channels the incumbent provides to it, the video service provider must make the PEG channels available on the date that it commences service in the municipality or the 90th day after it receives the notice, whichever is later.

If a municipality does not substantially utilize a PEG channel, the interim cable operator or video service provider may reprogram that channel. A municipality is substantially utilizing a channel if it provides 40 or more hours of programming on the channel each week, at least 60% of which is locally produced programming. A municipality may regain the use of a PEG channel that has been reprogrammed by certifying to the video service provider that it will substantially utilize the channel.

A video service provider or interim cable operator must make PEG channels available on any service tier that is viewed by more than 50% of its customers. If a PEG channel was reprogrammed due to the failure of the municipality to substantially utilize the channel and later restored to a PEG function, the operator or provider may provide the restored channel on any service tier.

Operation of PEG Channels; Transmission of PEG Programming to Provider's Network

The substitute amendment provides that municipalities are responsible for virtually all aspects of operating PEG channels. An interim cable operator or video service provider is required to provide only the first 200 feet of transmission line needed to connect its network to one distribution point used by the municipality to transmit PEG programming for the PEG channel.

Beyond this, municipalities may not require a video service provider or interim cable operator to provide any funds, services, programming, facilities, or equipment related to PEG channel operation. It is the municipality's responsibility to do all of the following:

- Operate the channel and produce or obtain the programming.
- Ensure that all programming is submitted to the operator or provider in a form the operator or provider can broadcast with no manipulation or modification.
- Make all programming for a PEG channel available to all operators and providers operating in the municipality in a nondiscriminatory manner.

Interconnection of Video Service Providers' Networks

The substitute amendment requires that, if there is more than one interim cable operator or video service provider in a municipality and the interconnection of their networks "is technically necessary and feasible for the transmission of programming of any PEG channel," the two providers must negotiate in good faith for interconnection on mutually acceptable terms, rates, and conditions. The provider who requests interconnection is responsible for interconnection costs, including the cost of transmitting programming from its origination point to the interconnection point.

Public Rights-Of-Way

Under current law, a number of statutes govern the use of public rights-of-way by various entities. In particular, s. 66.0425, Stats., establishes the requirement that a person, other than public utilities and cooperatives that provide a utility service, obtain a municipal permit for the privilege to engage in construction in public rights-of-way, and addresses compensation to the municipality, performance bonds, liability, and third parties' interests. Also, s. 182.017, Stats., provides that the authority for public utilities and cooperatives and other entities that provide a utility service to occupy public rights-of-way is subject to a number of statutes and to "reasonable regulations made by any city, village or town through which the transmission lines or system may pass..."

The substitute amendment provides that, notwithstanding s. 66.0425 and except as provided in s. 182.017, as amended by the substitute amendment, municipalities may not impose any fee or requirement on a video service provider relating to the construction of a video service network. It also states that, as long as a video service provider pays the required video service provider fee, "the municipality may not require the video service provider to pay any compensation under s. 66.0425, or, notwithstanding s. 182.017, any permit fee, encroachment fee, degradation fee, or any other fee, for the occupation of or work within public rights-of-way."

In a separate provision, the substitute amendment states that: "[a] video franchise issued by the [DFI] authorizes a video service provider to occupy the public rights-of-way and to construct, operate, maintain, and repair a video service network to provide video service in the video franchise area."

Under amended s. 182.017, a municipality may impose reasonable regulations on the occupation and use of public rights-of-way by video service providers, other than any permit fees or other charges

for use of public rights-of-way. A municipality may also impose such regulations on an interim cable operator though, again, the limitation or permit fees and other charges does not apply to these operators.

The substitute amendment requires that, if a municipality requires a permit for the occupation or use of its public rights-of-way that the municipality must approve or deny a permit application within 60 days of receiving the application. If the municipality fails to meet this deadline, the permit is deemed to be approved by the municipality. If the municipality denies a permit application, it must present its reasons for the denial in writing.

Any entity whose occupation and use of public rights-of-way is subject to s. 182.017 (video service providers and others), may complain to the Public Service Commission (PSC) if it believes that a municipality has imposed an unreasonable regulation on its occupation and use of public right-of-way. The PSC must review such a complaint and, if it determines that the regulation is unreasonable, void the regulation.³ The substitute amendment allows the PSC to assess the complaining party for the cost of the review.

Consumer Protection

The FCC's regulations require each cable operator to meet, among other customer service standards, the following "customer service obligations:" (1) provide a telephone access line, a customer service center, and bill payment locations that meet specified requirements; (2) meet specified performance standards for performing installations and responding to outages and service calls; and (3) issue refund checks and service credits within specified periods. [47 CFR s. 76.309.]

Current, s. 100.209, Stats., requires a cable operator to: (1) give a subscriber specified credits for service interruptions; (2) prevent disconnection of cable service for failure to pay a bill until the unpaid bill is at least 45 days past due; and (3) specify time periods for a cable operator to repair cable service and to provide notice for instituting a rate increase, deleting a program service, or disconnecting a subscriber. This statute also explicitly states that it does not prohibit the Department of Agriculture, Trade, and Consumer Protection (DATCP) or a municipality from establishing by rule or ordinance, respectively, regulations that expand these subscriber rights.

The substitute amendment establishes that, if there is only one video service provider in a municipality, the municipality may require a video service provider to comply with the FCC's "customer service obligations," described above, but precludes the DFI and municipalities from imposing additional or different customer service standards that are specific to the provision of video service.

If there is more than one video service provider in a municipality or if a sole provider is subject to "effective competition," as defined in federal regulations, the substitute amendment establishes that these video service providers may not be subjected to any "customer service standards."⁴ The substitute

³ The PSC has, in ch. PSC 130, Wis. Adm. Code, promulgated standards for determining whether a municipality's regulations of a utility's use or occupation of the public right-of-way is unreasonable.

⁴ Neither the substitute amendment nor the FCC's regulations define the term "customer service standards." However, since the FCC identifies its service standards and disclosure requirements in 47 CFR ss. 76.309, 76.1602, 76.1603, and 76.1619 as "customer service standards," an argument can be made that this prohibition applies to the types of standards and requirements identified in these FCC regulations.

amendment provides an exception to this limitation for customer service standards promulgated by rule by DATCP.

The substitute amendment repeals the current law on cable subscriber rights, s. 100.209, Stats.

The substitute amendment does not address or amend the cable subscriber privacy protections in state or federal law.

The substitute amendment also prohibits any municipality from imposing on any video service provider any requirement relating to the provision of video service. This prohibition would include requirements relating to consumer protection.

Access To Service ("Build-Out")

The substitute amendment's requirements on access to service apply only to a "large telecommunications video service provider" (LTVSP). This type of provider is a video service provider that uses facilities for providing telecommunications service also to provide video service and that, on January 1, 2007, had more than 500,000 residential customer access (or telephone) lines in the state. Only AT&T Wisconsin had this many residential access lines on that date.

The substitute amendment requires a LTVSP to provide access to its video service to the following percentages of households within its residential local exchange service area:

- Not less than 35% nor later than three years after the date on which the LTVSP began providing video service under its state franchise.
- Not less than 50% nor later than five years after the date on which the LTVSP began providing video service under its state franchise, or no later than two years after at least 30% of households with access to the LTVSP's video service subscribe to the service for six consecutive months, whichever occurs later.

An LTVSP must file an annual report with the DFI regarding its progress in complying with these requirements.

An LTVSP may apply to the DFI for an extension of any time limit specified in these requirements or for a waiver from the requirements. DFI must grant the extension or waiver if the provider demonstrates to the department's satisfaction that the provider has made "substantial and continuous efforts" to comply with the requirements and that the extension or waiver is necessary due to one or more of the following factors: (1) the provider's inability to obtain access to rights-of-way under reasonable terms and conditions; (2) developments and buildings that are not subject to competition because of exclusive service arrangements or are not accessible using reasonable technical solutions under commercially reasonable terms and conditions; (3) natural disasters; and (4) other factors beyond the control of the provider.

An LTVSP may satisfy these requirements through the use of an alternative technology, other than satellite service, that does all the following: (1) offers service, functionality, and content demonstrably similar to that provided through the provider's video service network; and (2) provides access to PEG channels and messages broadcast over the emergency alert system.

The substitute amendment also establishes that, notwithstanding any of the above provisions, a telecommunications video service provider of any size is not required to provide video service outside its residential local exchange service area, and a video service provider that is an incumbent cable

operator is not required to provide video service outside the area in which the operator provided service at the time DFI issued a video service franchise to the operator.

Discrimination

The substitute amendment establishes that no video service provider may deny access to video service to any group of potential residential customers in the provider's video franchise area because of the race or income of the residents in the local area in which the group resides.

The substitute amendment specifies a defense to an alleged violation of the above prohibition based on income if the video service provider has met either of the following conditions:

- No later than three years after the date on which the provider began providing video service under its state franchise, at least 25% of households with access to the provider's video service are low-income households.
- No later than five years after the date on which the provider began providing video service under its state franchise, at least 30% of households with access to the provider's video service are low-income households.

A "low-income household" is defined to be any individual or group of individuals living together as one economic unit in a households whose aggregate annual income is not more than \$35,000, as identified by the United States Census Bureau as of January 1, 2007.

The substitute amendment applies the provisions on extensions described in the preceding discussion of access to service to the defenses identified above. It also applies the provisions on alternative technologies and limitations on geographic service territory specified in the preceding discussion of access to service to the prohibition on discrimination and the related defenses identified above.

Regulation of Rates

Federal law expresses a preference for competition over regulation of cable service rates, and prohibits rate regulation if the FCC has determined that the market in question is subject to effective competition. In the absence of effective competition, a franchising authority may regulate rates for basic service only, including programming on the cable operator's basic programming tier. All other rates are subject to FCC regulations. [47 USC s. 543.]

The substitute amendment provides that neither DFI nor a municipality may regulate the rates of a video service provider under a state franchise or an interim cable operator under a municipal franchise if at least two unaffiliated providers or operators provide service in a municipality. This limitation applies regardless of whether the affected operator or provider has sought a determination by the FCC regarding effective competition.

The substitute amendment is silent on rate regulation where there is only one interim cable operator or video service provider. The result, it appears, is that no state or municipal entity has authority to regulate rates in this instance.

Institutional Networks

The substitute amendment provides that, notwithstanding any ordinance or franchise agreement in effect on the effective date of this law, no state agency or municipality may require an interim cable operator or video service provider to provide any institutional network or equivalent capacity on its

network. “Institutional network” is defined as a network that connects governmental, educational, and community institutions.

Local Broadcast Stations

Under federal law, cable operators are required to carry the signal of local commercial television stations and qualified low power stations. This law sets certain limits on this requirement, gives priority to the carriage of commercial stations over low power stations, and imposes requirements regarding the content to be carried, signal quality, and like matters.

The substitute amendment provides that broadcast stations may require noncable video service providers to carry their signals to the same extent that they may require cable operators to do so under current federal law. It requires that the noncable video service provider transmit the signal without degradation, but allow it to do so by technology different than that used by the broadcast station. It also prohibits the noncable video service provider from discriminating among broadcast stations and programming providers and from deleting, changing, or altering a copyright identification that is part of a broadcast station’s signal.

Rule-Making Limited

The substitute amendment specifies that, notwithstanding the statute that gives an agency general authority to promulgate rules to interpret any statute it implements or enforces, the DFI may not promulgate rules interpreting the statewide video franchise statute created by the substitute amendment. It provides an exception to this prohibition, directing the DFI to promulgate rules for determining whether a video service provider, other than a telecommunications utility or qualified cable operator, is legally, financially, and technically qualified to provide video service.

Enforcement

The substitute amendment authorizes a municipality, interim cable operator, or video service provider that is affected by a failure to comply with the statewide video franchise statute created by the substitute amendment to bring an action in circuit court. The court is directed to order compliance with the law, but the substitute amendment is silent regarding the recovery of damages. No party to a suit may recover its costs of prosecuting or defending the suit.

In addition, the Department of Justice may enforce the provisions of this new statute. The substitute amendment does not specify penalties for violations of the new law, nor does ch. 66, Stats., in which the law is numbered. In the absence of any specified penalty, civil violations are punishable by a forfeiture of not more than \$200. [s. 939.61 (1), Stats.]

Terminology and Conforming Amendments

The substitute amendment changes many references throughout the statutes from “cable service” to “video service” and from “cable operator” to “video service provider.” It also conforms various statutes to the new state video service franchising framework and corrects a number of minor technical errors in the bill and, in one instance, rewords a provision to ensure the intended effect.

Effective Date

The substitute amendment takes effect on the day after its date of publication, pursuant to s. 991.11, Stats.

ASSEMBLY AMENDMENT 1 REGARDING CONSUMER PROTECTION⁵

The substitute amendment repeals s. 100.209, Stats., *Video Service Subscriber Rights*. This section is summarized above in the description of the substitute amendment, under “Consumer Protection.”

Assembly Amendment 1 restores s. 100.209, and applies it to video service provided by “multichannel video providers.” These providers are defined to include cable operators, video service providers, and “multichannel video programming providers,” a term used in federal law which includes satellite video service providers. The amendment repeals the authority of municipalities to adopt ordinances that supplement the statutory standards.

The amendment modifies one of the standards in current s. 100.209. Under current law, when a subscriber notifies the cable operator of a service interruption that is not caused by the cable operator and that lasts for more than four hours in one day, the cable operator is required to give the subscriber credit for each hour that service was interrupted. The amendment modifies this requirement to apply to service outages that last for more than 24 hours.

ASSEMBLY AMENDMENT 2 REGARDING VIDEO SERVICE PROVIDER FEES⁶

Most current municipal cable franchise agreements in Wisconsin require cable operators to pay franchise fees to the municipality equal, in most cases, to 5% of the cable operator’s gross receipts attributable to its provision of service in that municipality, and the substitute amendment continues this requirement, in general.

The substitute amendment establishes a definition of “gross receipts” for purposes of the video service provider fee. Assembly Amendment 2 modifies this definition by: (a) adding to the general criteria for these receipts revenues from advertising; (b) adding to the list of revenues in this term, revenues received from the provision of home shopping or similar programming and from advertising (with a formula for the allocation of revenues from advertising under regional or national contracts and exceptions for advertising refunds, rebates, and discounts); (c) clarifying that maintenance charges paid by video service subscribers for video services are included; and (d) making a technical change in the terminology.

The substitute amendment provides that, unless the parties agree otherwise, any action that is brought to enforce payment of a video service provider fee must be commenced within three years of the quarter to which the disputed amount relates. The amendment extends this time limit to four years.

ASSEMBLY AMENDMENT 3 REGARDING MISCELLANEOUS SUBJECTS

Assembly Amendment 3 makes a number of changes in the substitute amendment.

In the mandatory determination by the DFI that a telecommunications utility or a qualified cable operator applying for a video service franchise is legally, financially, and technically qualified to provide video service, the amendment applies this determination to a “large telecommunications video service provider” rather than a “telecommunications utility.” The amendment also modifies the

⁵ Assembly Amendment 1 is identical to Senate Amendment 3 to Senate Substitute Amendment 1 to Senate Bill 107.

⁶ Assembly Amendment 2 is identical to Senate Amendment 2 to Senate Substitute Amendment 1 to Senate Bill 107.

definition of “qualified cable operator” used in this provision by changing the test for a cable operator being one of the 10 largest video service providers in the United States.

The amendment raises the application fee for a video service franchise from \$1,000 to \$2,000.

The amendment revises the duties of interim cable operators and video service providers in transmitting PEG programming from a PEG access channel’s origination point to the provider’s headend or video hub office and the related duties of municipalities, as follows:

- For an origination point existing on the substitute amendment’s effective date, the operator or provider is required to provide transmission capacity sufficient to make these connections.
 - A municipality must permit the operator or provider to determine the most economically and technologically efficient means of providing this transmission capacity.
- If a municipality requests that such a pre-existing PEG access channel origination point be relocated, the operator or provider is required to provide the first 200 feet of transmission line necessary to connect its headend or video hub office to the origination point, and the municipality is required to pay for the costs of construction of the relocated transmission line beyond the first 200 feet, other than the costs associated with the transmission of PEG programming over the line.
- A municipality is liable for any construction costs associated with additional origination points, other than the costs associated with the transmission of PEG programming “over such line.”
- An operator or provider may recover its costs to provide transmission capacity under the above provisions by identifying and collecting a “PEG Transport Fee” as a separate line item on customer bills.

Legislative History

On April 17, 2007, the Assembly Committee on Energy and Utilities took the following actions on Assembly Bill 207:

- Offered Assembly Substitute Amendment 1 and Assembly Amendments 1, 2, and 3 to Assembly Substitute Amendment 1.
- Recommended adoption of Assembly Amendments 1, 2, and 3 to Assembly Substitute Amendment 1 on separate votes of Ayes, 10; Noes, 0.
- Recommended adoption of Assembly Substitute Amendment 1, as amended, by a vote of Ayes, 9; Noes, 1.
- Recommended passage of Assembly Bill 207, as amended, by a vote of Ayes, 9; Noes, 1.

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