

Summary of Cable Franchise Survey

The following statistics are taken from a survey of 272 North Carolina local governments regarding their franchise fee collections and other nonmonetary contributions received in accordance with their cable franchise agreement or agreements. The survey was conducted by the North Carolina General Assembly Fiscal Research Division. A total of 161 local governments responded to the survey.

Type of Respondent	Number surveyed	Number responded	Percent
Municipalities	172	109	63.4%
Counties	100	52	52.0%

The municipality-to-county ratio in the following survey data is:

Type of respondent	Number of respondents	Percent of total
Cities or towns	109	67.7%
Counties	52	32.3%
Total	161	100%

The purpose of this document is to summarize the survey's findings. The survey requested actual franchise fee collections for fiscal years 2004 and 2005. This data is reported separately in Appendix A.

Franchise Agreements & Fees

- One hundred and fourteen survey respondents (70.8%) negotiated their current franchise agreement or agreements independent of other local governments.¹
- The majority of responding local governments (75.8%) assess franchise fees at the rate of 5% of gross revenues. (Please see Appendix B for detail on the assessment of franchise fees.)

Network Infrastructure and Other Equipment

- Twenty respondents (12.4%) indicated they receive some network infrastructure from their cable operator or operators.²
- Twenty-one respondents (13.1%) indicated they receive equipment for PEG programming from their cable operator or operators. In addition, four respondents (2.5%) indicated they receive some computer hardware or software related to PEG programming. Four respondents (2.5%) also indicated they receive a PEG studio from their cable operator.³
- Eleven respondents (6.8%) indicated they receive some other form of capital from their cable operators.

Public, Educational, and Governmental (PEG) Channels

- More than half (50.9%) of respondents indicated they receive PEG channels from their cable operator.⁴
- The number of channels provided by cable operators ranged from 1 to 6 per local government. The chart below shows that the majority of local governments receiving PEG channels are allotted 3 or less by their cable operator.

Number of PEG channels provided	Number of responding local governments	Percent of total
1	44	57.9%
2	12	15.8%
3	11	14.5%
4	5	6.6%
5	1	1.3%
6	3	3.9%
Total	76	100%

- Twenty-eight survey respondents indicated how many of their allotted PEG channels are currently in use. Their responses ranged from all in use (100%) to none (0%). Unfortunately, too few respondents offered data on how many PEGs are currently in use to generalize these findings to North Carolina local governments in general.⁵

Broadband Internet Service

- Only seven respondents (4.3%) indicated they receive broadband internet service from their cable operator as part of their franchise agreement. Most of those who receive service indicated that it is provided in the public schools.⁶

Basic Cable Service

- Seventy-one respondents (44.1%) receive basic cable service free of charge in some or all government-owned buildings.⁷ Of those local governments that receive basic cable service:
 - Forty-one respondents (25.5%) receive free basic cable service in all government-owned buildings⁸
 - Fifty-six respondents (34.8%) receive free basic cable service in all administrative buildings⁹
 - Forty-six respondents (28.6%) receive free basic cable service in all public schools¹⁰
 - Thirty-six respondents (22.4%) receive free basic cable service in all public libraries¹¹

Competition

- Although this survey was not designed to study competition within the cable industry in North Carolina, respondents were asked to indicate if they held more than one current cable franchise agreement with separate operators.
 - Twenty-four local governments surveyed (14.9% of respondents) hold cable franchise agreements with more than one cable operator in their area
 - One hundred and thirty-two local government surveyed (82.0%) hold only one cable franchise with one cable operator
 - Five local governments (3.1%) did not respond to the question
- Respondents were also asked to estimate what percent of households in their franchise area are able to obtain cable television service from more than one cable operator. Out of the twenty-four local governments with multiple franchises, twenty (or 83.3%) responded to this question.
 - Of those twenty local governments, eleven (or 45.8%) indicated that the multiple cable operators in their area do not serve the same areas, so in effect the “overlap” of cable operators’ service areas was 0.0%.
 - The remaining thirteen local governments (or 54.2%) indicated that 1.0% to 60.0% of households in their area have access to service from more than one cable operator.

¹ 24.2% of survey respondents negotiated their current franchise agreement or agreements in partnership with other local governments (5% did not respond to this question).

² 57.8% indicated that they do not receive any network infrastructure from their cable operator (29.8% did not respond)

³ 55% of respondents indicated they do not receive any PEG-related equipment from their cable operator (31.9% did not respond). 42.2% of respondents indicated they do not receive computer hardware or software (55.3% did not respond), and 41.6% indicated they do not receive a PEG studio (55.9% did not respond).

⁴ 29.2% indicated they do not receive PEG channels (19.9% did not respond).

⁵ Twenty-seven local governments indicated how many of their allotted PEG channels are in use, but eight of the 27 are urban centers that have both a higher number of PEG channels than their less urban counterparts and also tend to utilize them differently. For example, the city of Raleigh has been allocated 5 PEG channels, but currently only uses 3, or 60%. In contrast, the cities of Elkin and Davidson each receive 1 PEG channel, which they indicated is used (100%). Using averages regardless of population size would result in overestimation of PEG use by urban areas and underestimation of their use in more rural areas.

⁶ A few (less than five) respondents indicated they receive a “VPN discount” equal to 20% off the retail price of broadband service. These responses were not included in the broadband totals for the survey since they were understood to constitute something other than the provision of broadband service *free of charge*.

⁷ 26.7% do not receive basic cable service free of charge (29.2% did not respond).

⁸ 74.5% did not respond.

⁹ For purposes of this survey, “administrative buildings” include city halls, town administrative buildings, public utilities facilities, and police and fire departments (65.2% did not respond).

¹⁰ 71.4% did not respond

¹¹ 77.6% did not respond