



## **Austin PEG Fee Expenditures Policies and Procedures**

### **Introduction:**

When incumbent cable provider Time Warner Cable's (TWC) cable franchise expired August 12, 2011, it began providing cable service in the City under a State Issued Certificate of Franchise Authority (SICFA) as specified by PURA Chapter 66, (SB5 as amended). All companies providing cable service under the SICFA are required to remit five percent of their gross revenues to the City in franchise fees and an additional one percent of gross revenues in PEG fees for capital expenditures related to the City's operations of its Public, Educational, and Governmental (PEG) Access channels.

The PEG fees must be spent in accordance with Federal law which means that they cannot be used for any expense that is not considered a capital expenditure, generally defined as items having a life expectancy greater than one year and the labor, software, training and warranty costs associated with those items. The cost of making improvements to existing capital items, not including repairs, can also be considered a capital expenditure. If the PEG fees are used for a non-capital expense, the cable operators are allowed to deduct that amount from their 5% franchise fee payments.

Historically, the City has provided capital equipment funds to support the operation of the Public Access Channels, now managed under contract by channelAustin, and for the City Government Channel 6. AISD, Travis County, and ACC who operate the three additional PEG channels have provided all operational and capital funds for their respective channels. Budgetary shortfalls, particularly with AISD have raised the question of whether the City could use a portion of the PEG fees to assist AISD and possibly Travis County and ACC with some of their critical capital expenditures related to PEG operations.

City decision-makers in the PEG fee utilization process include the TARA office, the City Manager, Chief of Staff, the Mayor and City Council, the Council Emerging Technology and Telecommunications Committee, and the Community Telecommunications and Technology Commission.

TARA is working with PEG stakeholders to establish the policies and procedures to be followed to determine how the PEG fees are allocated. To this end, the Community Technology and Telecommunications Commission will invite PEG stakeholders to participate in its January 2013 meeting to present their suggestions. Additional comments from the general public will also be received at this meeting.

**Key Points:**

The PEG fees are remitted by cable providers to the City for capital expenditures related to PEG channel operations, and therefore the final decision on how the PEG fees are used resides with the City.

Although the City has the authority to provide PEG fees for any capital expense related to any Austin PEG channel, the City has sole authority to determine how the PEG fees are to be used.

There is no requirement that the PEG fees be spent in the year in which they were received. Hence, there is the possibility of accruing PEG fees over time for future use on large scale capital projects related to the PEG channels.

The City is directly responsible for the operations of City Channel 6 and indirectly responsible for the three public access channels through a management contract between the City and channelAustin. The City provides operational and capital funding to City Channel 6 and channelAustin.

While the City has overall responsibility for all PEG channels required by SICFA regulations, operations of the AISD, Travis County, and ACC channels are the responsibility of AISD, Travis County, and ACC under interlocal agreements between the City and the three respective organizations.