

**COST BENEFIT
FRANCHISE FEE REVIEW
UNDER AB 2987**

5860 (i) Not more than once annually, a local entity may examine the business records of a holder of a state franchise to the extent reasonably necessary to ensure compensation in accordance with subdivision (a)...

2007 Gross Revenue Per Sub \$80 x 12 = \$	960
Sample Number of Cable Subscribers =	15,000
<u>Total Revenues Per Year = \$</u>	<u>14,400,000</u>
Total Franchise Fees at 5% = \$	720,000
Total PEG Fes at 1% = \$	144,000
Total Utility Tax at 8% = \$	1,152,000
(On Video/Subscriber Revenues Only)	

5860 (i) ...If the examination discloses that the holder has underpaid franchise fees by more than 5 percent during the examination period, the holder shall pay all of the reasonable and actual costs of the examination...

**Annualized Cost Benefit Assuming a Hypothetical Cost of \$24,000 for a 3
year review (Actual Cost May Vary) = Cost per year \$8,000**

	Findings Per Year		Cost		Net Gain/Loss
Finding of 1%	\$ 7,200	\$	8,000	\$	(800)
Finding of 2%	\$ 14,400	\$	8,000	\$	6,400
Finding of 3%	\$ 21,600	\$	8,000	\$	13,600
Finding of 4%	\$ 28,800	\$	8,000	\$	20,800
Finding of more than 5%	\$ 36,001	\$	-	\$	36,001