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Ms. SUH said that the Comptroller's Division of Local Audit reviews municipal audits prepared by public accounting firms to ensure that municipal utilities are not using electric revenues to subsidize broadband, cable, or telecommunications services. The Division of Local Audit determines whether the municipal audits adhere to Generally Accepted Accounting Principles, Generally Accepted Government Auditing Standards, and the Tennessee state audit manual.

Mr. HARRIS said that the Comptroller's Office of State Assessed Properties assesses all entities that are not assessed locally for property tax purposes. His office assesses 18 different types of companies, including those classified as utilities such as telephone companies. The 1,700 companies assessed by his office pay approximately \$257 million per year in property taxes that are passed through to cities and counties.

Mr. HARRIS said that Tennessee's Ad Valorem Tax Reduction Fund was established in 2000 to compensate telephone companies for the higher property taxes they pay relative to other internet providers such as cable companies. The fund is paid for by a tax on telephone companies' business customers. The Office of State Assessed Properties determines what each telephone company would owe if it were assessed at the lower commercial rates rather than the utility rate and distributes the difference between the two to each company from the fund. If the fund does not have enough money to compensate each company fully, then payments are distributed based on each telephone company's contribution to it. The fund paid out more than \$9 million this year. [Note: The fund has never had enough money to fully compensate telephone companies for their higher property tax rates.]

Mr. FOSTER said that, in contrast to its historical role in regulating telephone companies' rates, deployment, and quality of service, the TRA has only a limited role in regulating broadband providers. TRA does not regulate telephone cooperatives. TRA is responsible for granting franchise authority to providers either as cable companies or as competing telephone companies. The process for certifying cable companies in Tennessee Code Annotated, Section 7-59-301 et seq., is narrowly construed against the TRA.<sup>†</sup> TRA has granted franchise authority to 19 companies under this law, and they tend to be large companies whose service areas cover large areas of the state. The state remits the franchise fees it collects from providers under Tennessee Code Annotated, Section 7-59-301 et seq., to local governments.

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<sup>†</sup> Tennessee Code Annotated, Section 7-59-302, reads in pertinent part, "It is the intent of this part to confer a limited role on the Tennessee regulatory authority . . . which will be ministerial and narrowly construed, except to the extent otherwise specifically provided for in this part, and no rulemaking authority is provided by this part."

