

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 30, 2011

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB259 by Eiland (Relating to an assessment on subscription video service providers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB259, As Introduced: a positive impact of \$170,300,000 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$70,500,000
2013	\$99,800,000
2014	\$105,800,000
2015	\$113,000,000
2016	\$120,200,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Subscription Video Assessment Clearance Fund
2012	\$70,500,000	\$23,500,000
2013	\$99,800,000	\$33,300,000
2014	\$105,800,000	\$35,300,000
2015	\$113,000,000	\$37,700,000
2016	\$120,200,000	\$40,100,000

Fiscal Analysis

This bill would amend the Utilities Code to add new Chapter 67, regarding subscription video services.

The bill would impose an assessment of 6.25 percent on gross revenues derived from the provision of subscription video services as defined by the bill. The bill would require providers of these services to file an assessment report quarterly to the Comptroller of Public Accounts (CPA), and file an annual subscription report. Under the provisions of the bill a provider would be entitled to a credit against the assessment for fees paid to municipalities.

The bill would provide for penalties for a person who fails to pay an assessment, to file an assessment report, or to file a subscription report under the provisions of the bill.

Under the provisions of the bill, three-fourths of the revenue collected from the assessment would be deposited to the General Revenue Fund, and the remaining one-fourth would be deposited to the new Subscription Video Assessment Clearance Fund, a special fund in the state treasury outside of the General Revenue Fund. The bill would allow the CPA would retain up to 5 percent of the balance in the new fund for administrative purposes. Under the provisions of the bill the balance of the new fund would be distributed to municipalities and to counties based on their pro rata share of subscription video service subscribers.

This bill would take effect October 1, 2011.

Methodology

Based on the analysis of the CPA, subscription video service revenues were estimated from CPA tax file data supplemented with data from public sources. For providers with municipal franchise obligations, as defined by the bill, this estimate assumed the credits would offset the assessment liability. For the purpose of this analysis estimated assessment revenue reflects anticipated collections from providers without municipal fee liabilities.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Based on the analysis of the CPA, there would be a cost to the agency to handle the increased workload due to the assessment. However, this analysis assumes that duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources.

Local Government Impact

One-fourth of revenues generated from assessments under the bill would be deposited in the Subscription Video Assessment Clearance Fund to be distributed to municipalities and counties based on their pro rata share of subscription video service subscribers.

Based on the analysis of the Comptroller of Public Accounts funds distributed to municipalities and counties are projected to be approximately: \$23,500,000 for fiscal year (FY) 2012, \$33,300,000 for FY 2013, \$35,300,000 for FY 2014, \$37,700,000 for FY 2015, and \$40,100,000 for FY 2016.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas

LBB Staff: JOB, KJG, MW, RAN, SD, KKR