

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 17, 2011

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

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

IN RE: HB682 by Brown (Relating to leasing advertising space on state agency Internet websites.),
As Engrossed

There is an indeterminate fiscal impact to the state from the provisions of this bill due to the unknown nature of current advertising demand, applicable fee schedules to be set, and the cost to contract with private vendors for administration of the program.

The bill would amend Government Code to require executive branch state agencies, excepting institutions of higher education, to lease advertising space on official state internet websites. The bill requires the Department of Information Resources (DIR) to adopt rules and a standard contract governing the application of this bill, including setting fee schedules and determining the amount of revenue a private entity can retain to cover related administrative costs. DIR must also adopt policies that require the clear labeling of advertisements and the use of disclaimers that the state does not endorse the products or services advertised.

The Comptroller of Public Accounts cannot estimate a fiscal impact to the state because the demand for website advertising space and the fee schedules for leasing state advertising space (which would be set by rule) are currently unknown.

DIR, whom the bill authorizes with responsibility for setting fee schedules and administering related operating rules, estimates that the state would realize estimated gains to General Revenue of \$4.3 million per year, after reductions are taken for related administrative expenses. This estimate is based on actual viewership statistics of the state's Texas.gov website and survey statistics from across a range of other state domain websites, and assumes that all administrative costs would be covered by allowed administrative fees, assumed to be approximately 10 percent of generated revenue. If private vendor administration costs exceed 10 percent of generated revenues, the value of the difference would reduce the revenue estimate for the state by an equivalent amount.

Federal General Service Administration guidelines prohibit advertising on .gov internet domains. In the past year several state websites have been migrated from the state's domain (.state.tx.us) to a .gov domain, including the state's primary website (www.texas.gov) and the internet addresses for the Texas Department of Transportation (www.txdot.texas.gov). The federal restriction to advertising on these two websites was included in the DIR estimate above. An additional 50 state agencies are in the process of migrating their online presence to .gov domains and, under current federal guidelines, would not be able to participate in an internet advertising program. The potential impact of these ongoing transfers was not factored into DIR's estimate above, but would reduce the estimated impact.

Local Government Impact

No fiscal impact to local governmental entities is anticipated from implementation of HB 682.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 454 Department of Insurance, 529 Health and Human Services Commission, 601 Department of Transportation, 802 Parks and Wildlife Department

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