LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 25, 2011

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: **SB773** by Zaffirini (Relating to telecommunications service discounts for educational institutions, libraries, hospitals, and telemedicine centers.), **As Passed 2nd House**

There would be an indeterminate savings to the state under the provisions of this bill because it would continue the prohibition on rate increases for private network services, the provision of discounted rates for private network services, and other benefits currently provided to educational institutions, libraries, hospitals and telemedicine centers under Chapters 58 and 59 of the Utilities Code.

There is an indeterminate negative 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 evaluate and implement sufficient bandwidth and network security to allow advertising on state agency websites.

The bill would amend the Utilities Code to continue the prohibition on rate increases for private network services, the provision of discounted rates for private network services, and other benefits currently provided to educational institutions, libraries, hospitals and telemedicine centers under Chapters 58 and 59 of the Utilities Code for another four years through January 1, 2016. The bill would also amend the maximum rate for private network services and clarify the definition of "health center" and add nonprofit health centers to the list of entities to which an electing company must provide private network services.

The exact savings due to implementing the provisions of the bill cannot be estimated because the fiscal impact would depend on the actions of telecommunications service providers in setting rates. Since the potential increased costs would vary by entity if the date on which the benefits provided in Chapters 58 and 59 are set to expire were not changed by the bill, there is an indeterminate savings to the state.

Information reported by The University of Texas System Administration anticipates cost savings of $20.3 million dollars annually in 2012-2015 and a savings of $6.8 million in 2016 from implementation of the bill.

The bill would amend Subchapter C, Chapter 2054, Government Code to require executive branch state agencies, excepting institutions of higher education, to lease advertising space on official state internet websites. The bill would require the Department of Information Resources (DIR) to: adopt rules and to contract with a private entity for a 10 year license to lease advertising space on the state's official electronic internet portal, commonly known as TexasOnline or Texas.gov; develop a standard contract governing the application of the provision of the bill, including a schedule of fees for the lease of advertising space; and 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 bill would require that the private entity administering the lease, collect the fees due from entities leasing advertising space; and deposit fees collected, less the private entities' administrative fees, to the comptroller with 50 percent to be credited to the foundation school fund, and the remainder to be credited to the general revenue funds.

The bill would require DIR or a state agency to evaluate the effect of the advertising contract on bandwidth required by the agency for official duties; determine risk to the web site or to computer network security; develop and implement a plan to mange and reduce the amount of bandwidth used by the agency or DIR; and to ensure the continued security and integrity of electronic internet portals, computer networks, and confidential and sensitive data associated with the state.

ASSUMPTIONS

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 electronic internet portal (www.texas.gov) and the internet addresses for the Texas Department of Transportation (www.txdot.texas.gov). DIR estimates an additional 50 state agencies are in the process of migrating to .gov domains and, under current federal guidelines, would not be able to participate in an internet advertising program. Therefore, no revenue gain is anticipated from any texas.gov websites.

According to analysis by DIR, an outside consultant would be required to determine the risk to web sites or computer network security to evaluate and develop a plan that manages bandwidth and ensures security. DIR estimates that 1.0 security consultant and 1.0 high-level technical expert would be hired for 1,920 hours at $167.51 per hour for a total of $321,619 in fiscal year 2012.

Due to the number of state agencies transitioning to the texas.gov domain and absent of any information about fees that would be set by DIR under the provision of the bill, the revenue gain cannot be estimated. However, it is estimated that statewide start-up costs could be approximately $4.5 million depending on the number of agencies that would be eligible to advertise on its website, and would be required to manage bandwidth and assess computer network security as required under the provisions of the bill.

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.

Local Government Impact

It is anticipated that there would be an indeterminate savings to local governmental entities that are currently benefitting from provisions in Chapter 58 and 59. However, the amount of savings due to implementing the provisions of the bill cannot be estimated because the fiscal impact would depend on the actions of telecommunications service providers in setting rates. Since the potential increased costs would vary by entity if the date on which the benefits provided in Chapters 58 and 59 are set to expire were not changed by the bill, there is an indeterminate savings to local entities.

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, 720 The University of Texas System Administration, 802 Parks and Wildlife Department, 473 Public Utility Commission of Texas

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