

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5311-03
Bill No.: SCS for SB 1092
Subject: Political Subdivisions: Broadband Regulation
Type: Original
Date: April 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** assume no fiscal impact.

Officials of the **City of Springfield** assume the Broad definition of "Broadband Internet" using outdated download and upload speeds would have an effect beyond simply removing their ability to tax Internet service. Officials assume it would remove their authority to tax all telephone and cable services as well. Accordingly, the City of Springfield would lose \$4.7 million in gross receipts taxes in the first year. This does not take into account the value of our Government access channel, which is in the millions, in-kind transmission costs, in-kind cable service to government buildings throughout the city, including all levels of law enforcement, libraries, schools, hospitals, colleges and universities. These costs are incalculable, but would be enormous.

ASSUMPTION (continued)

Officials of the **City of Gladstone** assume with the continuing migration of all telecommunications technologies to broadband and Internet based networks, the impact of SB 1092 would be to completely eliminate these industries as a source of tax revenue to support the cost of City services. For the fiscal year ending June 30, 2005, The City of Gladstone collected \$407,848 in gross receipts taxes from land line telephone companies and \$287,372 from Cable Television Franchisees. It is anticipated that the application of the Municipal Telecommunications Business License Tax Simplification Act, which would subject wireless, voice over Internet protocol (VOIP), and other technologies utilized for the transmission of two-way voice and data, this revenue amount will exceed \$1 million annually within the next few years, and would continue to grow in the future.

Officials of the **City of Maryland Heights** state that they would potentially have significant negative fiscal impact. Officials stated that in 2005 the city received \$660,000 in telephone utility taxes and \$215,000 in cable television franchise fees for a total of \$941,000. Officials stated that these two revenue sources account for 5% of the city's General Revenue Fund revenues.

Oversight sent response request to Kansas City, Manchester, Cape Girardeau and many other cities, and to St. Louis County, Cass County, Clay County and many other counties and none have responded.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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CITIES and COUNTIES GENERAL REVENUE FUND

Loss of Income to Cities and Counties
 From prohibition of regulating or taxing
 in any form broadband internet
 connections or providers.

	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
ESTIMATED NET EFFECT TO LOCAL GOVERNMENT *	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

*** Oversight assumes that on a statewide basis, loss of income to local governments would exceed \$100,000 annually. Oversight assumes some local governments do not regulate or tax broadband internet connections or providers, therefore, Oversight will show fiscal impact as \$0 to Unknown.**

FISCAL IMPACT - Small Business

Small businesses that are internet providers or who disseminate information either audio or video, or information of any kind over a broadband internet service would be expected as a result of this proposal to realize a savings from not being taxed, or having to pay any type of fee, license, or franchise requirement as a condition of doing business.

DESCRIPTION

The "Broadband Protection Act" prohibits any political subdivision from regulating the content, cost, or distribution of data, audio, video or other information over a broadband connection. Further, the act prohibits any political subdivision from imposing any franchise requirement on any broadband provider or request anything of value as a condition of offering broadband service.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

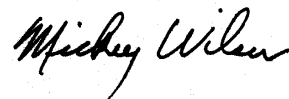
SOURCES OF INFORMATION

Department of Economic - Public Service Commission
Office of Public Counsel
City of Springfield
City of Gladstone
City of Maryland Heights

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NOT RESPONDING

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Mickey Wilson, CPA
Director
April 7, 2006