

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3472-03
Bill No.: SCS for SB 526
Subject: Fees; Political Subdivisions; Department of Revenue
Type: Original
Date: February 14, 2020

Bill Summary: This proposal modifies provisions relating to communication services offered in political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	(Unknown, could exceed \$603,333)	(Unknown, could exceed \$724,000)	(Unknown, could exceed \$724,000)

FISCAL ANALYSIS

ASSUMPTION

Section(s) 67.1842, 67.1846, 67.2677, 67.2689 and 67.5122 - Video Service Providers and Uniform Small Wireless Facility Deployment Act

In response to the previous version of this proposed legislation, officials from the **City of Springfield (Springfield)** state there is a negative fiscal impact to Springfield. The exact impact is unknown at this time due to the amended definition of “gross receipts,” but based on Springfield’s previous revenue, the negative impact could be in excess of \$500,000.

Oversight notes the definition of “gross revenue” has been changed so that amounts billed to customers of video service providers or amounts received by video service providers from advertisers for: rental of set top boxes and other video service equipment, service charges, administrative charges, and a pro rata portion of all revenue derived for advertising are no longer included within the definition.

In response to the previous version of this proposed legislation, officials from the **City of Kansas City (Kansas City)** stated this legislation would have a negative fiscal impact on Kansas City but the city is unable to calculate the amount.

Oversight assumes the loss, as estimated by Kansas City, is due to the change in what is included in gross revenues as well as the calculation of the video service provider fee (against gross receipts of video service providers) which has been changed so that the fee becomes five percent (5%) of the first forty dollars (\$40) billed to each customer of the video service provider instead of five percent of the aggregate amount of gross revenues recognized. Oversight notes five percent (5%) of forty dollars (\$40) equals two dollars (\$2). Oversight assumes this proposed legislation would provide that the video service provider pay to the political subdivision a two dollar (\$2) fee for each customer. Thus, under this proposed legislation, in order for political subdivisions to retain the same amount of video service provider fee(s) under current law, the video service provider would need one customer for every two dollars paid as a video service fee under current law.

Officials from the **City of Liberty (Liberty)** state this proposed legislation would result in a negative impact to Liberty’s revenues from video service providers equal to approximately sixty-eight percent (68%) of the current revenues recognized.

Liberty states the Liberty receives approximately \$330,000 annually from the cable franchise. An average cable bill is approximately \$125 per month. If Liberty is limited to collected \$40 each month, Liberty would see revenues reduced by 68% or \$224,000 per year.

ASSUMPTION (continued)

Oversight notes Liberty anticipates a loss equivalent to sixty-eight percent (68%) of the current cable franchise revenues recognized, or \$224,000 annually.

Oversight notes this proposed legislation states no political subdivision, including grandfathered political subdivisions, may adopt a linear foot fee to be charged to any entity that holds a franchise or video service authorization. Furthermore, this proposed legislation would change the definition of “gross revenue” for video service providers, which is used to calculate the video service provider fee paid to political subdivisions in which video service providers operate. Furthermore, in conjunction with the change in the gross revenue definition, the calculation of the video service provider fee is changed so the fee becomes five percent of the first forty dollars (\$40) billed to each customer of the video service provider instead of five percent of the aggregate amount of gross revenues recognized.

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** state the proposed legislation should not result in additional costs or savings to B&P.

The proposal has no impact on state revenues. To the extent this impacts local revenues, this proposal could impact the calculation pursuant to Article X, Section 18(e). B&P does not have data to calculate the impact at the local level.

Oversight notes this proposed legislation would **repeal** the sunset date for the Uniform Small Wireless Facility Act. The sunset date for the Uniform Small Wireless Facility Act is currently January 1, 2021.

Oversight notes the **Missouri Department of Commerce and Insurance**, the **Missouri Department of Revenue**, and the **Missouri State Treasurer’s Office** have stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Oversight notes the impacts reported include an unquantifiable impact, a negative amount exceeding \$500,000, and a negative \$224,000. For purposes of this fiscal note, Oversight will report a negative fiscal impact to local political subdivisions equal to (Unknown, could exceed \$724,000).

ASSUMPTION (continued)

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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POLITICAL SUBDIVISIONS - Cities and Counties

<u>Revenue Reduction</u> - (Section(s) 67.1846, 67.2677 and 67.2689) - Video Service Provider Fees	(Unknown, could exceed <u>\$603,333</u>)	(Unknown, could exceed <u>\$724,000</u>)	(Unknown, could exceed <u>\$724,000</u>)
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ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(Unknown, could exceed \$603,333)</u>	<u>(Unknown, could exceed \$724,000)</u>	<u>(Unknown, could exceed \$724,000)</u>
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FISCAL IMPACT - Small Business

This proposed legislation could impact any small business operating as a video service provider.

FISCAL DESCRIPTION

No political subdivision shall require a telecommunications company to obtain a written agreement, other than a permit, for use of the public right-of-way. (Section 67.1842)

Nothing in the provisions of law relating to the public right-of-way shall prohibit a political subdivision or public utility right-of-way user from renewing or entering into a new or existing franchise, upon mutual agreement. Further, nothing in those provisions of law shall prevent a grandfathered political subdivision from charging a public right-of-way user a fair and reasonable

FISCAL DESCRIPTION (continued)

liner foot fee or antenna fee pursuant to or from otherwise enforcing existing linear foot ordinances that were in effect on May 1, 2001. (Section 67.1846)

The act repeals a provision stating that nothing shall prevent a grandfathered political subdivision from enacting new ordinances, including amendments of existing ordinances. (Section 67.1846)

No political subdivision shall impose a linear foot fee to be charged to any entity that holds a franchise or video service authorization. (Section 67.1846)

The act modifies the definition of "gross revenues". (Section 67.2677)

Currently, franchise entities may collect a video service provider fee equal to not more than 5% of the gross revenues of a video service provider providing service in the geographic area of such franchise entity. Under the act, a franchise entity may collect a video service provider fee equal to not more than 5% of the first \$40 of the gross revenues charged to each customer of a video service provider that is providing video service in the geographic area of such franchise entity. (Section 67.2689)

Finally, the act repeals the sunset date for the Uniform Small Wireless Facility Deployment Act. (Section 67.5122)

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

Missouri Office of Administration - Division of Budget & Planning
Missouri Department of Insurance and Commerce
Missouri Department of Revenue
Missouri State Treasurer's Office
City of Kansas City
City of Springfield
City of Liberty



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