

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 289 (First Edition)

SHORT TITLE: Mills River Video Distribution.

SPONSOR(S): Senator Apodaca

	FISCAL IMPACT				
	Yes ( )	No (X)	No Estimate Available ( )		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES	No General Fund Impact				
EXPENDITURES	*See Assumptions and Methodology for Local Impact Information*				
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
EFFECTIVE DATE:	When the bill becomes law.				

BILL SUMMARY: SB 289 amends GS 105-164.44I (c1), modifying the distribution formula used to allocate video programming tax revenue across local jurisdictions. In addition to the franchise tax imposed during the first six months of the 2006-2007 fiscal year, the bill includes in the base amount the amount of cable franchise tax and subscriber fee revenue allocated to Mills River by Henderson County from July 1, 2006, through November 30, 2006, and the amount of the cable franchise tax and subscriber fee revenue imposed for December 2006.

In 2006, the General Assembly enacted SL 2006-151, the Video Programming Act, a uniform tax structure for all forms of video programming. The act applied the combined general rate of sales tax to all video programming services and repealed the local authority to impose a local franchise tax. In addition, the legislation preserved the local government revenue stream by distributing part of the sales tax revenues from telecommunications and video programming services to the counties and cities. The amount of revenue received by a county or city is based on a distribution formula that uses the amount of cable franchise tax imposed during the first six months of fiscal year 2006-2007 plus any subscriber fees imposed during that same period. The legislation would modify the distribution formula for quarters beginning on or after July 1, 2009.

**ASSUMPTIONS AND METHODOLOGY:** SB 289 has no General Fund impact. The legislation does however reduce the amount of revenue currently allocated through the video programming tax for all other counties and municipalities outside of Mills River. By increasing the amount of revenue allocated to Mills River, allocations to the remaining 600+ jurisdictions would decline by that same amount, \$15,258 annually. The paragraphs below describe the methodology used to calculate the fiscal impact of SB 289 to North Carolina's localities.

According to Mills River officials, the municipality enacted cable franchise taxes and fees equal to \$3,244 in December 2006. If the tax were imposed and certified during July 2007 to December 2007, the period required in the original legislation, Mills River would have received an allocation of \$9,732 in video programming tax revenue during the April 2007 to June 2007 quarter. To estimate the amount due Mills River in quarters beginning on or after July 1, 2009, Fiscal Research increased the \$9,732 in estimated video programming revenue by the percent that the quarterly video programming distributions increased or declined between April 2007 and March 2009 (Table 1).

<b>Quarter</b>	<b>Quarterly Total Video Programming Revenue Distribution</b>	<b>Quarterly Change in Video Programming Distribution</b>	<b>Mills River Quarterly Allocation (Estimated)</b>
04/2007 TO 06/2007	\$18,148,965	0%	\$9,732
7/1/2007 - 9/30/2007	\$17,138,928	-6%	\$9,190
10/1/2007 - 12/31/2007	\$18,035,573	5%	\$9,671
1/1/2008 - 3/31/2008	\$18,160,322	1%	\$9,738
04/2008 TO 06/2008	\$19,214,891	6%	\$10,304
7/1/2008 - 9/30/2008	\$19,698,008	3%	\$10,563
10/1/2008 - 12/31/2008	\$20,731,973	5%	\$11,117
1/1/2009 - 03/31/2009	\$19,578,143	-6%	\$10,498
<b>Average Growth FY 07-08</b>		<b>2%</b>	

As shown in the lower right hand column of Table 1, Mills River's estimated allocation under SB 289 would equal \$10,498 per quarter in FY 08-09 and by \$10,575 in FY 09-10. Fiscal Research estimates future Mills River collections by increasing the \$10,498 in estimated collections by the amount that the video programming distributions changed during the 2007-08 fiscal year, an equivalent of two percent. (Table 3).

	<b>Quarterly Distribution</b>	<b>FY 09-10</b>
Total Video Programming Revenue (All Jurisdictions)	\$20,369,099.98	\$81,476,400
Mills River Estimated Allocation	\$10,575	\$42,301
Mills River Actual Allocation	\$6,761	\$27,043
<b>Mills River Additional Allocation</b>	<b>\$3,815</b>	<b>\$15,258</b>

Table 2 highlights the expected quarterly and annual video programming revenue for various localities. The table illustrates the amount of video programming revenue Mills River would receive under SB 289 and the amount Mills River would receive absent any changes. Should SB 289 be enacted, Mills River would receive an additional \$3,815 per quarter or \$15,258 in FY 09-10. This amount, for the purposes of this analysis, is expected to increase steadily in subsequent fiscal years at a rate of two percent.

<b>Table 3: Difference Between Mills River Actual and Projected Allocation Under SB 289</b>				
	<b>FY 10-11</b>	<b>FY11-12</b>	<b>FY 12-13</b>	<b>FY13-14</b>
Mills River Estimated Allocation	\$42,611	\$42,923	\$43,238	\$43,554
Mills River Actual Allocation	\$27,241	\$27,441	\$27,642	\$27,845
<b>Mills River Additional Allocation</b>	<b>\$15,370</b>	<b>\$15,482</b>	<b>\$15,596</b>	<b>\$15,710</b>

Allocating a higher percentage of video programming tax revenue to Mills River would reduce the amount of revenue allocated to other municipalities by 0.018% annually. As shown in Table 4, Fiscal Research expects the remaining jurisdictions to be adversely effected by roughly \$20.03 per fiscal year.

<b>Table 4: Fiscal Impact on SB 289 on Other Counties and Cities</b>	
Loss of Revenue to Other Counties and Cities	(\$15,258)
Adjustment as a Share of Overall Distribution	0.018%
Average Annual Per County and City Loss From Distribution Adjustment	(\$20.30)

**SOURCES OF DATA:** North Carolina Department of Revenue, Video Programming Distribution.

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** June 23, 2009



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