



VERMONT LEGISLATIVE Joint Fiscal Office

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Fiscal Note

March 18, 2024

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S.181 – An act relating to the community media public benefit fund

As recommended by the Senate Committee on Finance, Draft 2.3

Bill Summary

This bill would create a streaming services assessment equal to 5% of a provider’s gross revenues derived from video streaming services in Vermont. Revenue from the assessment would be deposited in the General Fund. A portion of this new revenue would be appropriated to the Secretary of State to administer and oversee a grant program that would help fund the operational costs of the 24 Access Management Organizations (AMOs) in Vermont.¹ The bill would also appropriate \$1.1 million to the Department of Taxes in fiscal year 2025 for initial implementation of the new tax type.

Fiscal Impact

The Joint Fiscal Office (JFO) estimates the bill would have a fiscal impact of \$6.0 to \$7.6 million in additional annual General Fund revenue starting in fiscal year 2025. Revenue is forecasted to increase by 7.5% each year through fiscal year 2027, along with the expected revenue growth in the streaming market. The amount of this revenue that would be appropriated to the Secretary of State for distribution to AMOs would, subject to legislative action, be based on the needs and requests from these organizations. AMOs currently receive the bulk of their revenue from operating payments paid directly by cable companies, which are based on declining cable subscriptions and revenues.

Annual Estimated Streaming Assessment Revenue (\$ millions)

| | Fiscal year 2025 | Fiscal year 2026 | Fiscal year 2027 |
|-----------------------------------|------------------|------------------|------------------|
| Revenue | \$6.0 to \$7.6 | \$6.5 to \$8.2 | \$7.0 to \$8.9 |
| Department of Taxes Appropriation | \$(1.1) | - | - |
| Total General Fund Revenue | \$4.9 to \$6.5 | \$6.5 to \$8.2 | \$7.0 to \$8.9 |

Background and Details

The following sections would have a fiscal impact.

Section 1

Section 1 would create a new streaming assessment due annually on April 15 for revenues generated the previous year, beginning with tax year 2024. The assessment would apply to any subscription-based video

¹ AMOs are often called PEG-TV providers. PEG stands for Public, Educational, and Governmental.

streaming service, such as Netflix, Apple TV+, and Disney+. A video streaming provider would have to earn more than \$250,000 in gross annual revenue from customers in Vermont to be assessed. For the purposes of the assessment, a customer's location would be determined by their place of primary use of the service or, if that cannot be reasonably determined, their billing address.

The newly created grant program funded through this assessment would supplement two existing payments received by AMOs – operating payments and capital contributions.² Cable companies make these payments as part of the requirements to receive a Certificate of Public Good (CPG) from the Department of Public Service (DPS), which allows a cable company to operate in a specific service territory. Cable operating payments are equal to 5% of gross revenues generated by “cable services” and are subject to a 5% franchise fee cap in federal law.³ AMOs also receive a “capital contribution” equal to roughly 1% of cable company gross revenues. These contributions must be used for capital expenses and are not a part of the 5% cap on operating payments. These two payments make up over 90% of annual AMO revenue, however, since payments are made directly from cable companies, they are not State funds.⁴ The remainder of AMO revenue currently comes grants, donations, and fees for service.

Section 2

Section 2 would appropriate \$1.1 million to the Department of Taxes from the General Fund in fiscal year 2025 for implementing the assessment. This one-time expense is tied to IT programming costs required when a new tax type is established.

² More information about these payments can be found in PUC Rule 8.000 - https://puc.vermont.gov/sites/psbnew/files/doc_library/adopted-rule-8.000.pdf

³ 47 U.S.C. § 542(c).

⁴ <https://legislature.vermont.gov/assets/Legislative-Reports/Report-2021-02-07.docx.pdf>