

Streaming Gross Receipts Tax and Access Management Organizations

House Committee on Ways and Means

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Current Access Management Organization Funding



Current System of AMO Funding

- PUC Rule 8.000 defines Access Management Organizations (AMO)
 - A nonprofit entity apart from the cable television operator designated to receive PEG access support through the cable operator and contracted to manage public, educational, and governmental access channels and facilities for non-commercial purposes.
 - Also called
 - Public, Educational, Governmental (PEG) Access Television – PEG-TV
 - Community Media
- Funding for AMOs includes:
 - Operating and capital payments from cable companies as outlined in PUC Rule 8.000
 - Payments from cable companies comprise the majority of AMO revenues
 - Since payments are made directly to AMOs, funds from cable companies are not State funds
 - Other sources (fee for services, grants, contributions, and other)



Current System of AMO Funding

- As outlined in PUC Rule 8.000:
 - PEG access funding shall be calculated based on the cable operator's gross revenues generated by "cable services" as defined by 47 U.S.C. § 522.
 - Rule 8.000 outlines two different types of payments:
 - Operating payments: also called franchise fees, these payments are negotiated between cable providers and individual AMOs. Capped at 5% of gross revenues.
 - Capital payments: also negotiated between AMOs and cable providers. These payments are approximately 1% of gross revenues and are not subject to the 5% cap. These payments must be used for capital expenses.
 - Rule 8.000 also outlines that if any new legislative tax or fee on cable services is also determined to act as a franchise fee, the amount of operating payments can be adjusted accordingly.

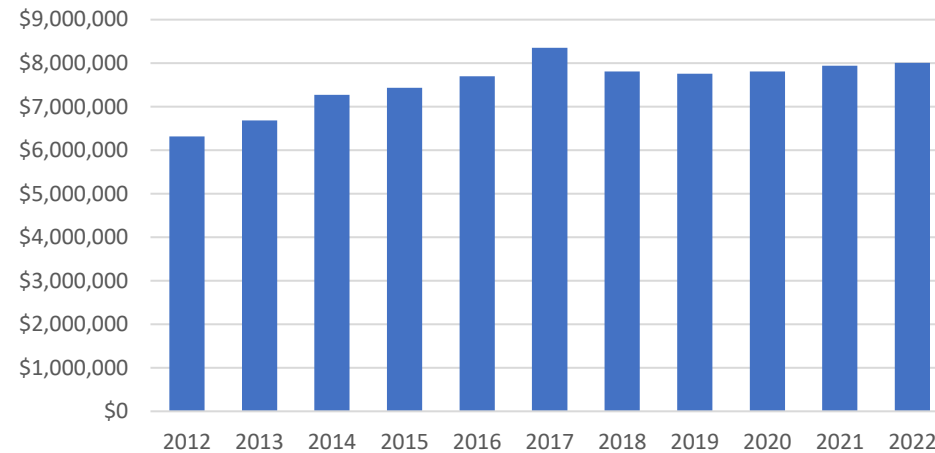


3 example AMOs – 2022 Rule 8 Annual Reports

- Windsor on Air (Windsor Area Community Television)
 - Operating Revenue: \$66,114
 - Capital Revenue: \$6,351
 - Other (Fundraising and Grants): \$18,540
 - Percent Cable Funded: 79.7%
- Brattleboro Community TV
 - Operating Revenue: \$313,996
 - Capital Revenue: \$32,265
 - Other (Fundraising, Grants, Production Income): \$112,332
 - Percent Cable Funded: 75.5%
- Central Vermont Television (Barre)
 - Operating Revenue: \$266,754
 - Capital Revenue: \$26,675
 - Other (Streaming, Underwriting): \$18,952
 - Percent Cable Funded: 93.9%



Overall AMO Revenues



Source: Vermont Access Network

- Between 2012 and 2022, the annual growth rate in AMO cable revenues has averaged approximately 2.2%
- Two different time periods, two different growth rates
 - Between 2012 and 2017, AMO cable revenues increased by 4.8% per year on average
 - Between 2018 and 2022, cable revenues increased by 0.5% per year
- The cable revenue picture at individual AMOs may not reflect these overall trends because Rule 8.000 states that “PEG access funding of an AMO shall be calculated based upon the corresponding PEG AMO’s service territory.”
 - Percentage change in cable revenue since 2017 ranged from -20.5% for the RRCTV (Rutland) to 21.5% for BCTV (Brattleboro)
 - 2017 represented a high point for cable revenues for half of AMOs



Other Taxes and Fees Imposed on Cable Companies and Customers

- Cable services subject to the 6% sales tax, and 1% local option tax
- Corporate Income Tax
- Cable personal property is placed on the statewide Education Grand List
 - Estimated \$1.7 million in Education Fund revenue in FY 2024
- Gross receipts tax to support the operations of the Public Service Department (PSD) and Public Utilities Commission (PUC)
 - 0.3% of cable gross receipts - PSD
 - 0.2% of cable gross receipts - PUC



Streaming Services Gross Receipts



Taxes on Streaming Services

- Streaming services are currently subject to Vermont's 6% sales tax, and 1% local option tax
- As of 2022, of the 45 states with a sales tax, 33 apply the sales tax to streaming services
- In addition to sales taxes, other states implement a separate tax on streaming services and similar services
 - In Kentucky, streaming services are subject to the telecommunications tax, which is comprised of a 3% multichannel video program excise tax and 2.4% multichannel gross revenues tax
 - Florida imposes a 7.44% communications services tax on video streaming



Taxes on Streaming Services

- Two states recently considered using a gross receipts tax on streaming services
 - Massachusetts is currently considering H.74, which would impose a 5% fee on the gross receipts of streaming services
 - Revenues would be allocated to municipalities, which would then distribute funds to public access television providers
 - New York considered an 8% sales tax (4% state, and 4% local) on a variety of streaming services
 - Cable and satellite TV would be exempt
 - Funding was proposed to help the MTA and mass transit programs around the state



Taxes on Satellite Services

- Satellite services are also assessed the Vermont 6% sales tax, and 1% local option tax
- Other states apply a separate tax to satellite services:
 - Connecticut subjects satellite services to a 5% gross earnings tax in addition to the sales tax
 - Kentucky Telecommunications Tax also applies to satellite services
 - Utah applies a 6.25% multi-channel video or audio service tax



Streaming Gross Receipts - Revenue Estimate

- A 5% tax on video streaming services gross receipts would generate an estimated **\$6.5 million - \$8.1 million** with a full year implementation
 - Approximately \$500,000 is from satellite services
 - 2023 Deloitte Digital Media Trends survey data finds that households spend an average of \$48 per month on video streaming services
 - Millennials had an average spend of \$54 per month



Federal Lifeline Program

- The Federal Lifeline Program offers up to a \$9.25 per month discount on internet service
- Funded through the Federal Universal Service Fund
- Eligibility Criteria:
 - Qualify for certain types of Federal Assistance Programs
 - Household income is at or below 135% of the Federal Poverty Guidelines
 - Household meets the eligibility criteria for a participating provider's existing low-income internet program.



Affordable Connectivity Program

- The Affordable Connectivity Program offers up to a \$30 per month discount on internet service
 - Funded with a \$14.2 billion appropriation in the Bipartisan Infrastructure Law (BIL)
 - Application closed as of February 7, 2024
 - Current program enrollees will receive support until funds run out – estimated April 2024
- Eligibility Criteria:
 - Qualify for Federal Assistance Programs that qualify for Lifeline, and additional federal assistance programs, including
 - Federal Pell Grant
 - Free and Reduce School Lunch and School Breakfast Program, including at Community Eligibility Provision (CEP) schools
 - Special Supplemental Nutritional Program for Women, Infants, and Children Program (WIC)
 - Household income is at or below 200% of the Federal Poverty Guidelines
 - Household meets the eligibility criteria for a participating provider's existing low-income internet program.



Program Take-Up and Financial Support Estimates

	Monthly Benefit	Number Participating	Number Eligible	Percent of eligible enrolled
Federal Lifeline	Up to \$9.25	8,010	78,796	10.2%
Affordable Connectivity Program	Up to \$30	25,923	152,953	16.9%

Source: Universal Service Administrative Company; United States Census Bureau

Base Amount from Streaming Assessment	\$5,000,000
Amount Per ACP Enrollee Per Month	\$16.07
Number of people that could participate at \$10 per month	41,667

- Take-up of these programs is a small fraction of the number of people eligible
- If take-up for a new internet affordability program increases, the amount of support available per household decreases
- For reference, NEK Broadband Standard Plan costs \$79.95 per month



Questions?

