SB 620

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 620 (Senator Hafer*, et al.*)
Finance

Multichannel Video Programming Subscribers - Continued Access to Services

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This bill provides that a subscriber or tenant residing in a multiple dwelling unit of five or more units on one parcel of property for which multichannel video programming service has been provided may continue to receive that service even if an agreement to the contrary is entered into between the owner of the property and a different distributor of the service. A multichannel video programming distributor is liable to the landlord for any physical damage caused by the installation, operation, or removal of multichannel video programming services.

This bill may not be construed to apply to contracts or agreements between a distributor and a property owner entered into on or before June 30, 1997. This bill takes effect July 1, 1997.

Fiscal Summary

State Effect: None. Assuming that the Consumer Protection Division will receive fewer than 50 complaints per year stemming from this bill, existing resources should be adequate to handle any additional workload.

Local Effect: Local government revenues could be affected as discussed below.

Small Business Effect: Potential meaningful impact on small businesses as discussed below.

Fiscal Analysis

Local Effect: In fiscal 1996, 15 counties imposed cable franchise fees on cable subscribers, which generated approximately $18.5 million in local revenue. The rates ranged from two to five percent of gross revenues. Based on estimates provided by the Cable Television

Association, local governments lose approximately $3 million in revenues annually when owners of multi-dwelling units discontinue cable programming or switch to a provider that does not have to pay the cable franchise fee. According to the cable industry, alternative providers that do not pay the franchise fee offer to pay a percentage of revenues directly to owners or landlords as an inducement for contracts, which reduces local government revenues from cable fees.

Pursuant to this legislation, tenants would be able to retain their existing cable service. This could increase local revenues to the extent that the tenant intended to continue with the current cable provider that was required to pay the cable franchise tax and if the owner or landlord was going to discontinue multichannel programming and thus the cable franchise tax; or the owner or landlord was going to enter into a contract with a multichannel programmer that does not have to pay the cable franchise tax.

Small Business Effect: A multichannel video programming service is typically a cable company, a direct broadcast satellite service, or a television receive-only satellite program service. This bill enables tenants of a multi-dwelling unit to retain their existing cable service. This could protect the market share and profits of existing cable providers, most of whom are not small businesses. However, it could harm the entry of new businesses into the multichannel video programming industry, some of which may be small businesses.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Maryland Association of Counties, Cable Television Association, Department of Fiscal Services

Fiscal Note History: First Reader - February 26, 1997
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