

STORAGE NAME: h2073.bdt

DATE: April 9, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 2073

RELATING TO: Digital Communications and High-Definition Television

SPONSOR(S): Representative Byrd

COMPANION BILL(S): SB 1564 (S)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill creates the "21st Century Digital Television and Education Act." It provides legislative findings explaining that the federally mandated transition from analog to digital television broadcasts no later than May, 2003, will provide numerous new, improved, and innovative information and entertainment services to the public. Further, the language finds that, because commercial and noncommercial television markets in the United States must adhere to the mandate, it is in the interest of the state to facilitate the conversion of existing television stations, studios, networks, and production companies and to encourage new companies involved in digital television and related industries to locate in Florida.

This bill creates the "21st Century Digital Television and Education Task Force." The task force is to serve through February 1, 2000. The membership of the task force includes: two members appointed by the Governor; two members of the Senate, or their designees, appointed by the Senate President; two members of the House of Representatives, or their designees, appointed by the House Speaker; the Commissioner of Education or the Commissioner's designee; the Chancellor of the State University System, or the Chancellor's designee; the Executive Director of the State Community College System, or the director's designee; and the President of the Independent Colleges and Universities of Florida or the president's designee.

The task force is directed to: devise a plan to recruit digital industries to locate in Florida; recommend economic incentives to assist the recruitment of certain digital industries to Florida; devise a plan to create and maintain higher education opportunities for students interested in the digital television field; recommend methods to hasten the conversion of existing commercial television studios and sound stages from analog to digital technology; investigate means of assisting public broadcast stations in their conversion from analog to digital technology; and issue a report to the Legislature prior to February 1, 2000.

Additionally, the bill create a sales tax exemption, which inures in the form of a refund of taxes already paid for property which produces, transmits, receives, or redistributes digital television signals. The bill exempts from sales tax machinery or equipment purchased or leased in Florida for use by a television studio, television network, television production company, or federally licensed television station in the production, origination, broadcast, transmission, receipt, or redistribution of television signals. Finally, the bill provides a definition of "machinery and equipment" to be used pursuant to the exemption.

The issue of rulemaking is not addressed in this bill.

The revenue estimating conference has not yet addressed this bill.

The bill would be effective upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Digital Broadcasting

Digital broadcasting transmits the information used to make a TV picture and sound as "data bits" (as does a computer). A digital broadcaster can carry more information than is currently possible with analog broadcast technology, allowing for the transmission of pictures with higher resolution, resulting in dramatically better picture and sound quality. ("Standard definition" digital TV pictures would be similar in clarity and detail to the best TV pictures being received and displayed today using the current (analog NTSC) broadcast system and TV receivers.) Digital television technology can also be used to transmit large amounts of other data that consumers may be able to access using computers or television sets. This means that broadcasters will be able to offer customers an entire edition of a newspaper, sports information, computer software, telephone directories, or stock market updates if they choose to do so. Not only will broadcasters be able to broadcast at least one high definition TV program, they may also simultaneously transmit several standard definition TV programs. Another possibility is broadcasts in multiple languages with picture and information inserts and, in some cases, viewers will have the opportunity to select camera angles. An important additional benefit of digital television is that it will free up parts of the broadcast spectrum for other uses due to the fact that modern technology of digital television is more efficient than analog TV technology.

Pursuant to Congressional authorization, the Federal Communications Commission (FCC) has established rules for the transition to digital broadcasting. In order to ensure the successful introduction of digital television and to make it available to as many Americans as quickly as possible, the FCC established an accelerated schedule for its introduction. Because of this FCC rule, most Americans are scheduled to have access to digital television by 1999 and everyone in this country is scheduled to have digital television access by the year 2002. The FCC requires that affiliates of the top four networks in the top ten markets (none in Florida) must be on the air with a digital signal by May 1, 1999. Markets 11 through 30, which includes the Miami-Ft. Lauderdale, Tampa-St. Petersburg, and Orlando-Daytona Beach markets, have been mandated to provide digital television by November 1, 1999.

It will take a number of years to convert fully to digital television because today's television sets are not designed to receive digital transmissions. In order to provide a smooth transition to digital television service with as little disruption to the public as possible, and as provided in the Telecommunications Act of 1996, the FCC granted each existing broadcaster an additional 6MHz channel to be used for digital transmissions. Broadcasters will send out both analog and digital signals at least until 2006, and will not be required to return their analog spectrum stations until 85 percent of households have access to digital television.

Broadcasters will be required to spend millions of dollars toward the creation of a digital infrastructure, including the need to purchase digital antennas and camera equipment.

Chapter 212, Tax and Sales, Use and Other Transactions

The state of Florida levies a 6 percent sales tax on most sales of tangible personal property in the state and on some services. The statutes currently provide more than 150 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations. Currently, s. 212.08(5)(f), F.S., 1998 Supp., grants a sales tax exemption for motion picture or video equipment used in motion picture or television production activities and sound recording equipment used in the production of master tapes and master records. Section 212.08(5)(f), F.S., 1998 Supp., states that the sales tax exemption does not apply to equipment purchased or leased by television or radio broadcasting or cable companies licensed by the FCC. The exemptions inure in the form of a refund of taxes once they are paid.

B. EFFECT OF PROPOSED CHANGES:

The bill provides for the formation of a 10-member task force to be called the "21st Century Digital Television and Education Task Force." The task force will consist of two members appointed by the Governor, two members of both the House and Senate or their designees, the Commissioner of Education or the Commissioner's designee, the Chancellor of the State University System or the Chancellor's designee, the Executive Director of the State Community College System or the Executive Director's designee, and the President of the Independent Colleges and Universities of Florida or the President's designee. The task force is directed to devise a plan to recruit the following digital industries to locate in Florida: digital programmers and producers; companies involved in the transmission of digital media; digital television equipment manufacturers; and companies involved in the research and development of certain digital technologies and electronics. The task force is required to: research and recommend economic incentives for the digital industries described above; assist in the creation of higher educational opportunities for students wishing to enter the digital television field; recommend methods to hasten the conversion of existing commercial television studios and sound stages from analog to digital technology; and investigate means of assisting public broadcast stations in their conversion from analog to digital technology. The task force must also issue a report summarizing its findings to the Legislature prior to February 1, 2000.

Additionally, the bill creates a sales tax exemption, which will inure in the form of a refund, for machinery or equipment purchased or leased in Florida for use by a television studio, television network, television production company, or federally licensed television station in the production, origination, broadcast, transmission, receipt, or redistribution of television signals. Finally, the bill provides that for the purposes of this section, "machinery and equipment" means machinery and equipment as described in 47 C.F.R., part 73 or "section 38 property" as defined in s. 48(a)(1)(A) and (B)(1) of the Internal Revenue Code and used for certain endeavors regarding digital television.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes. The bill provides a sales tax exemption for, which inures in the form of a refund of taxes already paid for property which produces, transmits, receives, or redistributes digital television signals.

The revenue estimating conference has not yet addressed this bill.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 212.08, F.S. Additionally, it creates a yet unnumbered section of the Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

See Section II. B., Effect of Proposed Changes.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The revenue estimating conference has not yet addressed this bill.

2. Recurring Effects:

The revenue estimating conference has not yet addressed this bill.

3. Long Run Effects Other Than Normal Growth:

The revenue estimating conference has not yet addressed this bill.

4. Total Revenues and Expenditures:

The revenue estimating conference has not yet addressed this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

The revenue estimating conference has not yet addressed this bill.

2. Recurring Effects:

The revenue estimating conference has not yet addressed this bill.

3. Long Run Effects Other Than Normal Growth:

The revenue estimating conference has not yet addressed this bill.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

The sales tax exemption provided to the eligible companies receiving a refund for taxes paid will have some economic benefit; however, the revenue estimating conference has not yet addressed this bill to determine what amount is to be expected.

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

The revenue estimating conference has not yet addressed this bill.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The revenue estimating conference has not yet addressed this bill.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The revenue estimating conference has not yet addressed this bill.

STORAGE NAME: h2073.bdt

DATE: April 9, 1999

PAGE 7

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The revenue estimating conference has not yet addressed this bill.

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Jill F. Turman

J. Paul Whitfield, Jr.