

# OFFICE OF FISCAL ANALYSIS

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sHB-6800

## AN ACT CONCERNING ELECTRONIC BOOK AND DIGITAL AUDIOBOOK LICENSING.

### ***OFA Fiscal Note***

#### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
Consumer Protection, Dept.	GF - Potential Cost	105,299	143,908
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Potential Cost	45,089	61,621
Library, CT State	GF - Potential Savings	See Below	See Below
Higher Education Constituent Units	Various - Potential Savings	See Below	See Below

Note: GF=General Fund; Various=Various

#### ***Municipal Impact:***

<b>Municipalities</b>	<b>Effect</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
Various Municipalities, Various Local and Regional School Districts	Potential Savings	See Below	See Below

#### ***Explanation***

The bill, which establishes parameters for electronic book (e-book) library contracts and enforcement of those parameters, is a potential cost to the state due to the enforcement provisions and a potential savings to public entities that operate libraries, beginning in FY 24.

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 42.82% of payroll in FY 24.

The bill prohibits certain licensure and contract agreements between libraries and electronic book publishers and makes violations an unfair trade practice resulting in a potential cost of \$105,299 in FY 24<sup>2</sup> and \$143,908 in FY 25 to the Department of Consumer Protection, and potential associated fringe benefit costs of \$45,089 in FY 24 and \$61,621 in FY 25.

To the extent that violations occur DCP may have to hire one special investigator and one paralegal. These positions will manage and review the complaints, investigate the cases, and conduct settlement negotiation and case preparation.

To the extent the bill produces e-book lending terms that are more favorable to libraries, the bill may result in a savings to public entities statewide that provide e-books, including the Connecticut State Library (CSL), the constituent units, various other state agencies, municipalities, and local and regional boards of education. The extent of annualized savings would depend upon actual contract terms.

Currently, there are various e-book licensing models implemented across state agencies and municipalities. The CSL spends approximately \$125,000 annually on e-book content and municipalities aggregately spend approximately \$150,000 per year on e-book content.

The higher education constituent units collectively have over 30 contracts involving e-books. Some of the contracts include terms that the bill prohibits, such as restrictions on interlibrary loaning. The bill's removal of those terms potentially results in savings associated with less costly e-book acquisition, as well as expanded interlibrary loan access. The extent of the potential savings depends on contract terms, the cost differential between e-books and traditional books, and the extent to which interlibrary loan access reduces a library's need to independently purchase content.

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<sup>2</sup> Costs for FY 24 reflect 9 months of expenditures due to the bill's October 1<sup>st</sup> effective date.

***The Out Years***

The ongoing fiscal impact identified above would continue into the future subject to inflation and contract terms.