



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 9, 1998

H.R. 2921

Multichannel Video Competition and Consumer Protection Act of 1997

As ordered reported by the House Committee on Commerce on June 24, 1998

SUMMARY

Through the compulsory copyright license created by the Satellite Home Viewer Act of 1988, satellite carriers pay a royalty fee per subscriber per month to the Copyright Office and may retransmit network and superstation signals by satellite to subscribers for private home viewing. The Copyright Office later distributes these fees to those who own copyrights on the material retransmitted by satellite.

H.R. 2921 would delay for 18 months an increase that went into effect in January in royalty fees paid by satellite carriers to the federal government. Under current law, the Copyright Office expects to collect \$114 million from satellite carriers for calendar year 1998 and \$75 million for the first half of 1999. If H.R. 2921 is enacted, CBO estimates the Office would collect only \$41 million for 1998 and \$27 million for the first 6 months of 1999—a loss of \$121 million in revenues over fiscal years 1998 and 1999. Following the review of an arbitration panel, the royalty fees will be paid to copyright owners in 2000 and 2001, along with accrued interest earnings. With lower collections, the payments in 2000 and 2001 will also be lower, by an estimated \$130 million over those two years.

We estimate that other provisions of the bill would not have a significant cost to the federal government. Because H.R. 2921 would affect both revenues and direct spending, it would be subject to pay-as-you-go procedures. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2921 is shown in the following table. In addition to the revenue and direct spending effects shown in the table, section 2 of the bill would result in a small discretionary cost to complete a required report. CBO estimates that the cost of completing that report—within the required 90 days after enactment—would be

significantly less than \$500,000. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
Receipts and Spending Under Current Law						
Estimated Revenues ^a	210	240	215	175	178	182
Estimated Budget Authority ^b	238	268	241	208	217	225
Estimated Outlays	347	250	250	250	216	205
Proposed Changes						
Estimated Revenues	-34	-87	0	0	0	0
Estimated Budget Authority	0	0	-78	-52	0	0
Estimated Outlays	0	0	-78	-52	0	0
Receipts and Spending Under H.R. 2921						
Estimated Revenues ^a	176	153	215	175	178	182
Estimated Budget Authority ^b	238	268	163	156	217	225
Estimated Outlays	347	250	172	198	216	205

- a. Includes royalty collections from cable television stations, jukebox licenses, satellite carriers, and digital audio devices.
b. Payments to copyright owners include interest earnings on securities held by the Copyright Office.

BASIS OF ESTIMATE

For purposes of this estimate, we assume the bill will be enacted in July 1998. The Copyright Office has mailed payment notices to satellite carriers for the first 6 months of calendar 1998. If H.R. 2921 is enacted, we assume part of this money would be returned to satellite carriers before the end of fiscal year 1998. Based on information from the Copyright Office, CBO estimates that enacting the bill would reduce 1998 payments from satellite carriers (which are recorded as revenues) by \$34 million in fiscal year 1998 and by \$87 million in fiscal year 1999. Under the bill, the fee imposed on satellite carriers would revert to its current level starting in July 1999.

We estimate that payments from the federal government to copyright holders for satellite transmissions would not occur until fiscal year 2000 for collections made for calendar year 1998, and that these payments (including interest) would be about \$78 million lower than under current law because H.R. 2921 would delay the scheduled fee increase for a year and one-half. Payments for collections made for calendar year 1999 would occur in fiscal year 2001, and we estimate they would be about \$52 million lower than under current law.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	0	-78	-52	0	0	0	0	0	0	0
Changes in receipts	-34	-87	0	0	0	0	0	0	0	0	0

PREVIOUS CBO ESTIMATE

On March 26, 1998, CBO prepared a cost estimate for S. 1422, the Federal Communications Commission Satellite Carrier Oversight Act, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on March 12, 1998. The House bill would postpone the scheduled increase in royalty fees paid by satellite carriers until July 1999—six months longer than the Senate bill. Consequently, the revenue loss and reduced spending associated with postponement of the royalty fee increase are about \$50 million greater under H.R. 2921 than they would be under S. 1244.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill would impose no intergovernmental or private-sector mandates as defined in UMRA. However, the 18-month delay in the scheduled increase in copyright royalty fees would impose costs on the copyright holders, including some state and local government entities, while reducing costs of the satellite carriers compared to the current fee schedule. Satellite carriers pay copyright royalty fees to copyright holders through the Copyright Office to retransmit signals from local network affiliates and superstations. Because of this delay, the fees collected in 1998 and 1999 that the Copyright Office would distribute in 2000 and 2001 to the industry groups that represent copyright holders would be reduced by \$130 million, including interest income.

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