



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 26, 1998

S. 1422

Federal Communications Commission Satellite Carrier Oversight Act

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on March 12, 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.

S. 1422 would delay a scheduled increase 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. If S. 1422 is enacted, CBO estimates the Office would collect only \$41 million of that total--a loss of \$73 million in revenues over the fiscal years 1998 and 1999. Following the review of an arbitration panel, the royalty fees will be paid to copyright owners in 2000, along with accrued interest earnings. With lower collections, the payments in 2000 will also be lower, by an estimated \$78 million.

We estimate that other provisions of the bill would not have a significant cost to the federal government. Because S. 1422 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 of 1995 (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1422 is shown in the following table. In addition to the revenue and direct spending effects shown in the table, implementing the bill would result in a small cost (in discretionary spending) to complete a report that would be required

by section 4. CBO estimates that the cost of completing that report—within the required 180 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	-39	0	0	0	0
Estimated Budget Authority	0	0	-78	0	0	0
Estimated Outlays	0	0	-78	0	0	0
Receipts and Spending Under S. 1422						
Estimated Revenues ^a	176	201	215	175	178	182
Estimated Budget Authority ^b	283	268	163	208	217	225
Estimated Outlays	347	250	172	250	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 before June 1998 when the Copyright Office will mail payment notices to satellite carriers. 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 \$39 million in fiscal year 1999. Under the bill, the fee imposed on satellite carriers would revert to its current level starting in January 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 S. 1422 would delay the scheduled fee increase for a year.

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	0	0	0	0	0	0	0	0
Changes in receipts	-34	-39	0	0	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill would impose no intergovernmental or private-sector mandates as defined in UMRA. However, the one-year delay in the scheduled increase in copyright royalty fees would result in a loss of income to copyright holders, including some state and local government entities, while reducing costs of the satellite carriers. Because of this one-year delay, the 1998 fees that the Copyright Office would distribute in 2000 to the industry groups that represent copyright holders would be reduced by \$78 million, including interest income. The satellite carriers would pay \$73 million less in copyright royalty fees.

ESTIMATE PREPARED BY:

Federal Costs: Kim Cawley

Revenues: Alyssa Trzeszkowski

Impact on State, Local, and Tribal Governments: Pepper Santalucia

Impact on the Private Sector: Jean Wooster

ESTIMATE APPROVED BY:

Robert A. Sunshine

Deputy Assistant Director for Budget Analysis