CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 10, 2000

H.R. 3439

Radio Broadcasting Preservation Act of 2000

As ordered reported by the House Committee on Commerce on March 29, 2000

H.R. 3439 would establish guidelines and procedures for licensing low-power FM radio stations. This newly created service would allow noncommercial and educational entities to broadcast radio signals at 10 watts to 100 watts, subject to a requirement that the new station not interfere with existing FM radio broadcasts. This bill would direct the Federal Communications Commission (FCC) to modify its rules to prescribe certain technical and legal standards outlined in the legislation. H.R. 3439 also would require existing applicants to comply with standards required by the bill and would limit eligibility for new stations. Finally, H.R. 3439 would direct the FCC to conduct field studies and other experiments on the minimum distances needed between channels to prevent interference to existing radio stations and translator stations.

Based on information from the FCC, CBO estimates that conducting the studies and regulatory proceedings required by the bill would cost about $1 million in fiscal year 2001, subject to the appropriation of the necessary amounts. We estimate that this additional expense would have no net effect on discretionary spending, however, because the FCC assesses and collects fees from the communications industry to offset the amounts appropriated for such expenses. CBO estimates that H.R. 3439 would not affect direct spending or receipts; therefore pay-as-you-go procedures would not apply.

H.R. 3439 would impose both a private-sector and an intergovernmental mandate, as defined by the Unfunded Mandates Reform Act (UMRA). CBO estimates that the mandate would not impose any significant costs, and thus, would not exceed the thresholds established by UMRA ($109 million in 2000 for private-sector mandates and $55 million in 2000 for intergovernmental mandates, adjusted annually for inflation).

A great deal of uncertainty surrounds the timing and the number of expected applicants under FCC's current plan to establish low-power FM radio stations. However, based on information from industry sources and the FCC's final rule, 47 CFR Parts 11, 73, and 74, CBO assumes that the FCC would issue licenses for up to 400 privately or publicly owned noncommercial stations. The FCC plans to accept the first of five rounds of applications for the low-power radio stations in May and to grant the licenses in September. If H.R. 3439 were enacted after September, any licenses that the FCC issued in September that do not comply with the bill's requirements would be invalid. It is unclear how many licenses would be issued or how many of them would be invalidated by the new requirements in H.R. 3439, however, the invalidation of any licenses would constitute a mandate as defined by UMRA. There would be no new mandate as defined by UMRA if the bill is enacted before any licenses are issued. CBO estimates that the mandate imposed by invalidating licenses would not result in any significant costs. Moreover, assuming that the time between the issuance of licenses and the enactment of the bill would be short, it is unlikely that new license holders would have made any significant expenditures, such as radio equipment, associated with the licenses.

The CBO staff contacts are Kathleen Gramp (for federal costs), Shelley Finlayson (for the state and local impact), and Jean Wooster (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.