CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 8, 1999

S. 247
Satellite Home Viewers Improvements Act

As reported by the Senate Committee on the Judiciary on February 25, 1999

SUMMARY

Pursuant to the Satellite Home Viewer Act of 1988, satellite carriers (companies that use satellite transmissions to provide television signals directly to consumers) pay a monthly royalty fee for each subscriber to the U.S. Copyright Office for the right to 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. 247 would allow satellite carriers to retransmit the signals of local television broadcast stations into the local markets of those stations. The bill would eliminate a 90-day waiting period for households that switch from cable to satellite service. The bill also would extend the requirement that satellite carriers pay royalty fees to the federal government until December 31, 2004. Finally, the bill would reduce the current fees charged to superstations by 30 percent, to $0.19 per subscriber per channel per month, and the fees paid by network stations by 45 percent to $0.15, beginning July 1, 1999.

CBO estimates that enacting S. 247 would result in a net increase in revenues of $477 million over the 2000-2004 period and of $76 million in fiscal year 2005. After review by an arbitration panel, royalty fees are paid to copyright owners, along with accrued interest earnings. With higher royalty collections, the payments to copyright holders would also be higher under S. 247, by an estimated $152 million over the 2000-2004 period, and by another $432 million over the following five years. Because S. 247 would affect both revenues and direct spending, it would be subject to pay-as-you-go procedures. Assuming appropriation of the necessary amounts, CBO also estimates that issuing conforming regulations would cost the Copyright Office about $500,000 in 2000.

The bill would impose 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 S. 247 is shown in the following table. For purposes of this estimate, CBO assumes the bill will be enacted before the end of fiscal year 1999. CBO also assumes that payments from the federal government to copyright holders for satellite transmissions would follow historical patterns. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
Receipts and Spending Under Current Law					
Estimated Revenues[a]	185	118	112	107	101
Estimated Budget Authority[b]	281	219	142	131	121
Estimated Outlays	207	259	264	220	182
Proposed Changes					
Estimated Revenues	17	92	107	122	139
Estimated Budget Authority	18	97	116	136	155
Estimated Outlays	0	4	19	35	94
Net Increase or Decrease (-) in Surplus	17	88	88	87	45
Receipts and Spending Under S. 247					
Estimated Revenues[a]	202	210	219	229	240
Estimated Budget Authority[b]	299	316	258	267	276
Estimated Outlays	207	263	283	255	276

NOTE: In addition to the effects shown above, S. 247 would increase spending subject to appropriation by about $500,000 in fiscal year 2000.

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

BASIS OF ESTIMATE

S. 247 would allow a satellite carrier to make secondary transmissions of local television broadcasts, eliminate the waiting period for switching from cable to satellite service, reduce the rates of copyright royalty fees, and extend those fees through 2004. All of these provisions would affect payments by satellite carriers to the federal government and payments by the federal government to copyright holders. Assuming enactment of the bill before the end of fiscal year 1999, CBO estimates that S. 247 would increase revenues by $477 million and increase spending by $152 million over the 2000-2004 period.

Secondary Transmissions

Section 2 of S. 247 would allow satellite carriers to retransmit the signals of local television broadcast stations into the local markets of those stations. Section 5 would eliminate a provision of current law that requires households to wait 90 days between ending cable service and beginning satellite service. These provisions would make the services provided by satellite carriers more attractive. As a result, CBO expects that the number of subscribers to satellite services would increase more rapidly than under current law. Based on information from the Copyright Office, CBO estimates that under S. 247 the annual change in the volume of satellite services would increase from a projected rate of 10 percent a year to an average of about 15 percent a year. Because these provisions could increase the incentives for choosing satellite service over cable service, they might lead to a loss in revenues from cable fees. However, based on information from the Copyright Office and the cable and satellite industries, CBO estimates that any such reduction in revenues would not be significant.

S. 247 would result in a small discretionary cost for the Copyright Office to issue conforming regulations. CBO estimates that the cost of issuing those regulations would be about $500,000, subject to the availability of appropriated funds.

Reduction in the Copyright Royalty Fee

A rule issued on October 28, 1997, by the Librarian of Congress, increased the royalty fee to $0.27 per subscriber per month. S. 247 would reduce the royalty fee on superstations by 30 percent to $0.19 per subscriber per channel per month and the rates on network stations by 45 percent to $0.15, effective July 1, 1999. Based on information from the Copyright Office, CBO estimates that this provision would reduce revenues by $26 million in fiscal year 2000, when the fees would expire under current law. But this deduction would be more than offset by extending the copyright royalty fees from January 1, 2000, to December 31, 2004.

Extension of Copyright Royalty Fees

Under current law, the royalty fees for satellite carriers expire on December 31, 1999. S. 247 would extend royalty fees through December 31, 2004, increasing both revenue from satellite carriers and payments to copyright holders (including interest) during the 2000-2004 period. In fiscal year 2000, the net change in estimated revenues would be relatively small—$17 million—because the additional revenue from extending the fees ($43 million) would be partially offset by a reduction in fee payments due early in the year under current law. By 2004, CBO expects additional revenues to total $139 million because of the fee extension.

Payments to Copyright Holders

S. 247 would result in additional spending because all revenues are eventually paid to copyright holders with interest. Historical spending patterns indicate that copyright holders may receive the fees and interest up to 10 years after the Copyright Office has collected the revenues. Thus, CBO estimates a significant lag between changes in revenues and the eventual changes in outlays that stem from copyright fees.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act 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										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	0	4	19	35	94	108	108	117	75	24
Changes in receipts	0	17	92	107	122	139	76	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 247 would impose no intergovernmental or private-sector mandates as defined in UMRA. However, the bill would have two effects on the future royalty fees paid by satellite carriers and later distributed to copyright holders, which include some state and local government entities. First, the bill would reduce the rates that satellite carriers must pay to retransmit the signals of local television broadcast stations. Second, the bill would extend the fees (at the lower rate) from the end of calendar year 1999 to the end of calendar year 2004. The increase in payments to copyright holders would be $152 million over the 2001-2004 period.

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