CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 12, 1999

S. 303
Satellite Television Act of 1999

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on March 10, 1999

SUMMARY

S. 303 would allow a local broadcast station to require, by January 1, 2002, satellite carriers that serve customers in its market to transmit its signal. (Satellite carriers are companies that use satellite transmissions to provide television signals directly to consumers.) This provision is similar to the requirements now faced by the cable industry. S. 303 would require satellite carriers that knowingly and willfully provide distant network signals to customers in violation of the Communications Act of 1934 to forfeit $50,000 per day per violation. Also, the bill would require the Federal Communications Commission (FCC) to conduct several rulemakings and issue a report.

As of April 30, 1999, a permanent injunction issued by a federal district court will prohibit PrimeTime 24 from transmitting CBS and FOX network broadcasts to about two million customers. However, S. 303 would allow Primetime 24 to transmit CBS and FOX programs to those customers through December 31, 1999.

CBO estimates that enacting S. 303 would increase revenues from royalty fees paid by PrimeTime 24 by about $3 million in 2000. With higher royalty collections, the payments to copyright holders would also be higher under S. 303, by an estimated $3 million over the 2000-2004 period. The bill also would increase forfeiture payments to the government, but CBO estimates that such payments would be less than $500,000 each year. Because S. 303 would affect both revenues and direct spending, it would be subject to pay-as-you-go procedures. Assuming availability of appropriated funds, CBO estimates implementing S. 303 would cost the FCC less than $500,000 in 2000.

S. 303 would impose a private-sector mandate, as defined by the Unfunded Mandates Reform Act (UMRA), on satellite carriers. The cost of the mandate would not exceed the annual threshold, established by UMRA, for private-sector mandates ($100 million in 1996, adjusted for inflation). S. 303 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 303 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
REVENUES AND DIRECT SPENDING[a]						
Receipts and Spending Under Current Law						
Estimated Revenues[b]	244	185	118	112	107	101
Estimated Budget Authority[c]	272	281	219	142	131	121
Estimated Outlays	209	207	259	264	220	182
Proposed Changes						
Estimated Revenues	0	3	d	d	d	d
Estimated Budget Authority	0	3	d	d	d	0
Estimated Outlays	0	0	1	0	2	0
Net Increase or Decrease (-) in Surplus	0	3	-1	d	-2	d
Receipts and Spending Under S. 303						
Estimated Revenues[b]	244	188	118	112	107	101
Estimated Budget Authority[c]	272	284	219	142	131	121
Estimated Outlays	209	207	260	264	222	182

a. In addition to the effects shown in the table, S. 303 would increase spending subject to appropriation by about $500,000 in fiscal year 2000.
b. Includes royalty fee collections from cable television stations, satellite carriers, and digital audio devices.
c. Payments to copyright owners include interest earnings on securities held by the Copyright Office.
d. Less than $500,000.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes the bill will be enacted by June 30, 1999. CBO also assumes that payments from the federal government to copyright holders for satellite transmissions would follow historical patterns.

Revenues

Pursuant to the Satellite Home Viewer Act of 1988, satellite carriers 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 the fees to those who own copyrights on the material retransmitted by satellite. Under current law, satellite carriers send payments to the U.S. Copyright Office in January for those fees accrued during the previous six months. The requirement for satellite carriers to pay royalty fees is set to expire on December 31, 1999, so the last payment will be in January 2000.

S. 303 would allow PrimeTime 24—a satellite carrier—to retransmit the signal of a distant station, which is a CBS affiliate, and a FOX network signal to about two million customers. PrimeTime 24 entered into a private contract with FOX, so PrimeTime 24's transmissions of the FOX signal are not subject to royalty fees. Thus, under S. 303, PrimeTime 24 would pay the royalty fee for each of the two million customers that would receive the CBS affiliate's signal each month. Based on information from the satellite industry, CBO estimates that revenues from that royalty fee would be about $3 million in 2000.

S. 303 also would require satellite carriers that knowingly and willfully provide distant network signals to customers in violation of the Communications Act of 1934 to forfeit $50,000 per violation. Such forfeiture payments are recorded as governmental receipts (revenues). Based on information from the FCC, CBO estimates that any such receipts would be less than $500,000 in any year.

Payments to Copyright Holders

After review by an arbitration panel, royalty fees are paid by the federal government to copyright owners, along with accrued interest earnings; therefore, S. 303 would result in additional spending. 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. CBO estimates that most of the $3 million in additional royalties would be disbursed between 2001 and 2003.

Spending Subject to Appropriation

S. 303 would require the FCC to conduct four rulemaking proceedings concerning technical and business relationships between satellite carriers and local broadcast stations. The bill also would require the FCC to report on methods for facilitating the delivery of local signals in local markets, especially smaller markets. Based on information from the FCC, CBO estimates that implementing S. 303 would cost the commission less than $500,000 in 2000, subject to the availability of appropriated funds.

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	1	0	2	0	0	0	0	0	0
Changes in receipts	0	3	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 303 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 303 would impose a private-sector mandate, as defined by the UMRA, on satellite carriers. The cost of the mandate would not exceed the annual threshold, established by UMRA, for private-sector mandates ($100 million in 1996, adjusted for inflation).

Satellite carriers would be required to use the Individual Location Longley-Rice (ILLR) methodology to determine if a new subscriber would be eligible to receive distant network signals. In February 1999, the FCC recommended the use of this model to determine the signal strength for a specific house rather than a general area. This mandate would affect five satellite carriers. Based on information from those carriers, CBO expects that most of them will be using the ILLR model by the time this bill would be enacted. Those who have not implemented the model would be required to do so. CBO estimates that the additional costs that the satellite carriers would incur would be negligible, and thus, significantly below the annual threshold for private-sector mandates ($100 million in 1996, adjusted for inflation).

PREVIOUS CBO ESTIMATES

On March 8, 1999, CBO transmitted a cost estimate for S. 247, the Satellite Home Viewers Improvements Act, as ordered reported by the Senate Committee on the Judiciary on February 25, 1999. That bill would reduce the royalty fee and extend the requirement that satellite carriers pay royalty fees until December 31, 2004. On April 7, 1999, CBO transmitted an estimate for H.R. 851, the Satellite Competition and Consumer Protection Act, as ordered reported by the House Committee on Commerce on March 24, 1999. That bill would reduce the royalty fee and permanently extend the requirement that satellite carriers pay royalty fees. Thus, CBO estimated that S. 247 and H.R. 851 would each have a significant impact on revenues and direct spending, in contrast to the much more limited effects estimated for S. 303.

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