



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 22, 2004

H.R. 4518

Satellite Home Viewer Extension and Reauthorization Act of 2004

As ordered reported by the House Committee on the Judiciary on July 7, 2004

SUMMARY

Under current law, satellite television companies pay a monthly royalty fee for each subscriber to the Copyright Office (within the Library of Congress) for the right to retransmit network and superstation television signals to satellite television subscribers. The Copyright Office later distributes these fees to the copyright owners of the retransmitted material.

H.R. 4518 would extend the requirement, set to expire under current law on January 1, 2005, that satellite carriers pay royalty fees to the federal government through December 31, 2009, and would make other changes to current law relating to satellite retransmission of television broadcasting. CBO estimates that enacting the bill would increase revenues by \$40 million in 2005, \$459 million over the 2005-2009 period, and \$557 million over the 2005-2014 period. With higher royalty collections, the payments to copyright owners (including interest earnings) also would increase, resulting in an estimated increase in direct spending of less than \$500,000 in 2005, \$48 million over the 2005-2009 period, and \$582 million over the 2005-2014 period. Thus, the net impact on the federal budget would be a decrease in the deficit of \$40 million in 2005 and \$412 million over the 2005-2009 period, but it would increase the deficit by \$24 million over the 2005-2014 period. (That net increase over the 10-year period reflects the payment of interest in addition to amounts collected in royalties.) Implementing the bill would not have a significant effect on spending subject to appropriation.

H.R. 4518 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 4518 would impose a private-sector mandate as defined in UMRA on satellite companies. CBO estimates that the cost of the mandate would not exceed the annual threshold for private-sector mandates established by UMRA (\$120 million in 2004, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4518 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										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN REVENUES AND DIRECT SPENDING											
Estimated Revenues	0	40	91	99	108	121	98	0	0	0	0
Estimated Budget Authority	0	40	94	108	122	140	119	19	15	10	5
Estimated Outlays	0	0	0	0	11	37	71	105	126	129	103
Estimated Net Increase or Decrease (-) in the Deficit from Changes in Revenues and Direct Spending	0	-40	-91	-99	-98	-84	-27	105	126	129	103

BASIS OF ESTIMATE

The bill would increase federal revenues from copyright royalties. Those fees, plus interest, would then be paid out to copyright owners.

Extension of Copyright Royalty Fees

H.R. 4518 would extend, through December 31, 2009, the requirement that satellite companies pay royalty fees to owners of copyrighted material for retransmitting that material to their subscribers. The bill also would require the Copyright Office to set a new rate on January 1, 2005, to account for increases in the cost of living from 2000 through 2004 and to adjust that rate on January 1st of each year starting in 2007.

CBO estimates that, taken together, these changes would increase revenues by \$40 million in 2005, \$459 million over the 2005-2009 period, and \$557 million over the 2005-2014 period. With higher royalty collections, the payments to copyright owners also would increase. Historical spending patterns indicate that copyright holders may receive the fees and interest several years after the Copyright Office has collected the revenues. Thus, CBO estimates a significant lag between increases in revenue collections and higher payments to copyright holders. CBO estimates that increases in direct spending resulting from increases

in royalty collections (and interest on those collections) would be negligible for the next few years but would total \$48 million over the 2005-2009 period and \$582 million over the 2005-2014 period.

Interest on Copyright Royalties

H.R. 4518 would result in additional spending because all revenues are eventually paid to copyright holders with interest. Therefore, under the bill, budget authority for spending associated with royalty collections would be slightly higher than revenues associated with those collections.

Satellite Retransmission of Distant and Local Signals

According to the Federal Communications Commission (FCC), about 20 million households subscribe to satellite television service in the United States. Under current law, satellite companies are permitted to retransmit signals originally broadcast by television stations back into the same area where they originated (“local-into-local”) for most subscribers and may retransmit signals that originate in a distant market into a local area (“distant-into-local”) under certain circumstances. As a result, some subscribers are eligible to receive both distant-into-local and local-into-local signals. Section 103 would require certain satellite subscribers to choose between receiving distant-into-local and local-into-local signals.

While satellite companies pay royalties for retransmitting distant-into-local signals, they do not pay royalties for retransmitting local-into-local signals. Under section 103, satellite companies would pay slightly fewer royalties because they would be retransmitting distant-into-local signals to a slightly smaller number of subscribers than they would if the current copyright laws were extended.

CBO estimates that enacting section 103 would decrease revenue collections by about \$1 million over the 2005-2010 period. In addition, payments to copyright owners would decrease, causing a decrease in direct spending of about \$1 million from 2005-2014.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4518 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4518 would impose a private-sector mandate as defined in UMRA on satellite companies. CBO estimates that the cost of the mandate would not exceed the annual threshold for private-sector mandates established by UMRA (\$120 million in 2004, adjusted annually for inflation).

H.R. 4518 would require satellite companies to submit to television network stations a list of their subscribers that are receiving signals of “significantly viewed” stations. The FCC determines which over-the-air television broadcast stations are considered significantly viewed stations in a particular community. The satellite companies also would be required to submit an updated list monthly.

PREVIOUS CBO ESTIMATES

On July 8, 2004, CBO transmitted a cost estimate for H.R. 4501, the Satellite Home Viewer Extension and Reauthorization Act of 2004, as ordered reported by the House Committee on Energy and Commerce on June 3, 2004. While H.R. 4518 would extend the copyright royalty fees, H.R. 4501 would not. The cost estimates for the bills reflect this difference. Both bills contain provisions that would make similar changes to satellite retransmission of distant and local signals, and the cost estimate for those provisions are also similar.

On July 22, 2004, CBO transmitted a cost estimate for S. 2013, the Satellite Home Viewer Extension Act of 2004, as ordered reported by the Senate Committee on the Judiciary on June 17, 2004. Both S. 2013 and H.R. 4518 would extend the copyright royalty fees, but each would increase the rates in a slightly different manner. Both bills contain provisions that would make changes to satellite retransmission of distant and local signals, but S. 2013 would affect a smaller number of subscribers. The cost estimates for the bills reflect these differences.

The private-sector mandate on satellite companies in H.R. 4518 and S. 2013 are similar. H.R. 4501 includes the same mandate along with additional ones on satellite companies. The total direct costs of mandates contained in each of the bills would fall below the annual threshold for private-sector mandates established in UMRA.

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