



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 3, 2005

### **H.R. 5419**

**An act to amend the National Telecommunications and Information Administration Organization Act to facilitate the reallocation of spectrum from governmental to commercial users; to improve, enhance, and promote the nation's homeland security, public safety, and citizen activated emergency response capabilities through the use of enhanced 911 services, to further upgrade Public Safety Answering Point capabilities and related functions in receiving E-911 calls, and to support in the construction and operation of a ubiquitous and reliable citizen-activated system; and to provide that funds received as universal service contributions under section 254 of the Communications Act of 1934 and the universal service support programs established pursuant thereto are not subject to certain provisions of title 31, United States Code, commonly known as the Antideficiency Act, for a period of time**

*As cleared by the Congress on December 8, 2004,  
and signed by the President on December 23, 2004*

### **SUMMARY**

H.R. 5419, enacted as Public Law 108-494, affects federal spending related to certain telecommunications programs. It exempts the Universal Service Fund (USF) from certain federal financial controls and changes the procedures previously used to pay for the cost of relocating federal telecommunications systems that use electromagnetic spectrum that will be licensed for commercial use. CBO estimates that H.R. 5419 will increase direct spending by a total of \$2.5 billion over the 2005-2014 period.

### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 5419 is shown in the following table. The costs of this legislation will primarily fall within budget functions 050 (national defense) and 370 (commerce and housing credit).

|   |  | By Fiscal Year, in Millions of Dollars |       |        |        |      |      |      |      |      |      |
|---|--|--|-------|--------|--------|------|------|------|------|------|------|
|   |  | 2005                                   | 2006  | 2007   | 2008   | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| <b>CHANGES IN DIRECT SPENDING</b>                     |  |  |       |        |        |      |      |      |      |      |      |
| Delay Spectrum Auctions                               |  |  |       |        |        |      |      |      |      |      |      |
| Estimated Budget Authority                            |  | 0                                      | 5,000 | -2,500 | -2,500 | 0    | 0    | 0    | 0    | 0    | 0    |
| Estimated Outlays                                     |  | 0                                      | 5,000 | -2,500 | -2,500 | 0    | 0    | 0    | 0    | 0    | 0    |
| Spectrum Relocation Costs                             |  |  |       |        |        |      |      |      |      |      |      |
| Estimated Budget Authority                            |  | 0                                      | 0     | 1,250  | 1,250  | 0    | 0    | 0    | 0    | 0    | 0    |
| Estimated Outlays                                     |  | 0                                      | 0     | 125    | 438    | 625  | 625  | 500  | 187  | 0    | 0    |
| Exempt Universal Service Fund from Antideficiency Act |  |  |       |        |        |      |      |      |      |      |      |
| Estimated Budget Authority                            |  | 300                                    | 0     | -300   | 0      | 0    | 0    | 0    | 0    | 0    | 0    |
| Estimated Outlays                                     |  | 0                                      | 98    | -59    | -39    | 0    | 0    | 0    | 0    | 0    | 0    |
| Total Changes Under H.R. 5419                         |  |  |       |        |        |      |      |      |      |      |      |
| Estimated Budget Authority                            |  | 300                                    | 5,000 | -1,550 | -1,250 | 0    | 0    | 0    | 0    | 0    | 0    |
| Estimated Outlays                                     |  | 0                                      | 5,098 | -2,434 | -2,101 | 625  | 625  | 500  | 187  | 0    | 0    |

## **BASIS OF ESTIMATE**

CBO estimates that H.R. 5419 will increase direct spending by a total of \$2.5 billion over the 2005-2014 period. The estimated costs stem from two provisions in the act: title II, which allows agencies to spend proceeds from certain auctions of spectrum licenses without further appropriation, and title III, which temporarily exempts the Universal Service Fund from the Antideficiency Act.

### **Delay Spectrum Auctions and Spending for Spectrum Relocation Costs**

Title II changes the process that private companies previously used to reimburse government agencies for relocation costs and allows agencies to spend such funds without further appropriation. It also requires the Federal Communications Commission (FCC) to notify agencies at least 18 months before starting an auction that involves relocating federal users from a portion of the electromagnetic spectrum.

Commercial licenses to use the electromagnetic spectrum are awarded by the FCC through a competitive bidding process, and proceeds from those auctions are deposited in the Treasury. Some of the licenses scheduled to be auctioned involve spectrum that is being

reallocated from federal to commercial use. Relocating agency operations to new frequencies or services typically involves buying new equipment or facilities. Formerly, such expenditures were subject to appropriation of the necessary amounts. Under H.R. 5419, agencies can spend auction proceeds for such expenses without further appropriation.

The estimated cost of title II stems from transactions related to the future auction of the 1710-1755 megahertz band. By requiring public notice 18 months prior to this auction, H.R. 5419 will delay the collection of some of the receipts from that auction relative to CBO's baseline projections. Shifting receipts from 2006 to 2007 and 2008, however, would have no net budgetary impact over the next few years. Based on published reports regarding relocation costs for the 1710-1755 band, CBO estimates that allowing agencies to spend proceeds without further appropriation for those expenses will increase net direct spending by about \$2.5 billion over the next 10 years. Federal agencies have not yet prepared final spectrum relocation plans; such costs could be higher or lower than this estimate.

CBO expects that H.R. 5419 will have no significant effect on the net proceeds from other auctions likely to be held before the FCC's auction authority expires at the end of fiscal year 2007.

### **Exempt Universal Service Fund from Antideficiency Act**

Section 302 of the act exempts the Universal Service Fund from compliance with the Antideficiency Act through the end of calendar year 2005. CBO estimates that this provision will result in no net cost over the 2005-2009 period; however, we estimate that it will increase costs by \$98 million in 2006 and decrease federal spending by \$98 million over the 2007-2009 period.

Established by the Telecommunications Act of 1996, the USF redistributes income from interstate carriers to telecommunications carriers providing services to high-cost areas, low-income households, schools, libraries, and nonprofit rural health care providers. The cash flows from the USF appear in the budget as revenues (for fund collections) and direct spending (for amounts distributed from the fund).

Under the Schools and Libraries program, the USF distributes funds to eligible institutions to provide affordable Internet and telecommunications services. When the USF receives and approves a grant application, it obligates funds to be paid to the recipient pending compliance with certain grant conditions.

Under the Antideficiency Act, USF funds cannot be obligated if this budget account contains insufficient resources. Under H.R. 5419, the program will have temporary authority to obligate funds without sufficient amounts available to liquidate those obligations. Under the legislation, USF's obligations in 2005 for grants to schools and libraries will no longer be delayed pending the collection of sufficient amounts to make future payments. CBO estimates that exempting the USF from the Antideficiency Act will allow the program to obligate and spend money faster than it would be able to without the exemption. Over a few years, however, total spending for the Schools and Libraries program will not change because USF spending cannot exceed the amounts it collects.

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