



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 23, 2014

S. 2454

Satellite Television Access Reauthorization Act of 2014

As reported by the Senate Committee on the Judiciary on June 26, 2014

CBO estimates that implementing S. 2454 would not have a significant effect on discretionary spending. CBO estimates that enacting S. 2454 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

Under current law, satellite carriers pay royalty fees for the right to transmit certain television signals to their subscribers without obtaining permission from copyright holders. The statutory license allowing those transmissions is set to expire on December 31, 2014; S. 2454 would extend that license through December 31, 2019. The bill also would broaden the geographic areas where cable companies would be allowed to transmit broadcast signals from low-power television stations without paying royalties.

Effect on the Federal Budget

Under the statutory license, satellite carriers pay royalty fees to the Copyright Office for transmission of certain copyrighted broadcasts and the Copyright Office later distributes those fees to the owners of copyrights on the transmitted material. Based on information from the Copyright Office, CBO expects that the additional workload to continue administration of the royalty payments would not be significant. Collections and disbursement of royalty fees are not recorded in the federal budget; therefore, there would be no budgetary effect, with regard to those fees, to extend the statutory license.

Intergovernmental and Private-Sector Impact

S. 2454 would extend existing intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on satellite carriers, low-power television stations, and copyright holders (including public entities). CBO estimates that the aggregate cost of compliance with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates (\$76 million and \$152 million in 2014, respectively, adjusted annually for inflation).

The bill would extend through December 31, 2019, the royalty rates satellite carriers are required to pay for transmitting some copyrighted material. If this requirement were to expire, royalty rates would be negotiated privately between copyright holders and satellite carriers. The cost of the mandate would equal the difference between the royalties that

would be negotiated in the absence of the bill and the royalties that are in place today and would be extended under the bill. Based on information from industry sources and the Copyright Office, CBO expects that the negotiated rates would not differ significantly from rates under the bill. Consequently, CBO estimates that the cost of compliance with the mandates would be small.

In addition, the bill would expand an existing mandate on low-power television stations (and other copyright holders) by allowing cable companies to retransmit signals from low-power stations to broader audience areas without paying royalties. Specifically, the bill would modify the definition of the local service area of a low-power television station to expand the area in which cable companies may retransmit signals without paying royalties. The cost of the mandate to low-power television stations (and other copyright holders) would be the forgone income from not receiving royalties. According to industry sources, the number of additional cable subscribers receiving retransmitted signals from low-powered stations would be small; therefore, CBO estimates that the cost of this mandate for public and private entities would not be significant.

Previous CBO Estimates

On June 3, 2014, CBO transmitted a cost estimate for H.R. 4572, the STELA Reauthorization Act of 2014, as ordered reported by the House Committee on Energy and Commerce on May 9, 2014. H.R. 4572 would extend provisions of current law that allow satellite carriers to transmit copyrighted material but would not extend the license that allows such transmission without permission from the copyright holders. CBO estimated that implementing H.R. 4572 would cost about \$1 million over the 2015-2019 period, assuming appropriation of the necessary amounts, for reports and regulatory actions by the Federal Communications Commission.

On July 17, 2014, CBO transmitted a cost estimate for H.R. 5036, the Satellite Television Access Reauthorization Act of 2014, as ordered reported by the House Committee on the Judiciary on July 10, 2014. S. 2454 would expand an existing mandate on low-power television stations that is not included in H.R. 5036; the CBO cost estimates reflect that difference.

Staff Contacts

The CBO staff contacts for this estimate are Susan Willie (for federal costs), Melissa Merrell (for the state and local impact), and Tristan Hanon and Patrice Gordon (for the private-sector impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.