CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 17, 2014

S. 2799
Satellite Television Access and Viewer Rights Act

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on September 17, 2014

SUMMARY

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. S. 2799 would extend provisions of current law that allow satellite carriers to transmit copyrighted material but would not extend the license that allows transmission without specific authorization from the copyright holders. That license will expire on December 31, 2014. The bill also would direct the Federal Communications Commission (FCC) to amend certain regulations affecting television stations and cable and satellite carriers.

Implementing S. 2799 would have a negligible net effect on discretionary spending over the 2015-2019 period, CBO estimates. Enacting S. 2799 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 2799 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. S. 2799 contains private-sector mandates, as defined in UMRA, on television broadcasters, cable operators, and satellite carriers. CBO estimates that the aggregate cost of the mandates in the bill would fall below the annual threshold established in UMRA for private-sector mandates ($152 million in 2014, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Based on information from the FCC, CBO estimates that implementing S. 2799 would cost about $2 million over the 2015-2019 period for the required reports and regulatory actions, assuming the availability of appropriated funds. Further, the FCC is authorized to collect fees to offset its operating costs each year; therefore, we estimate that implementing S. 2799 would have a negligible effect on net discretionary spending each year.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2799 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

S. 2799 contains private-sector mandates, as defined in UMRA, on television broadcasters, cable operators, and satellite carriers. It would extend existing mandates and impose new ones related to the retransmission of broadcast programs. The cost of complying with those mandates would be any net income forgone. Based on information from the FCC and industry sources, CBO estimates that the aggregate cost of the mandates in the bill would fall below the annual threshold established in UMRA for private-sector mandates ($152 million in 2014, adjusted annually for inflation).

The bill would extend for five years three existing mandates related to the retransmission of broadcast programs. It would extend the mandate on television broadcasters that prohibits them from receiving compensation from satellite carriers for retransmitting distant (non-local) network signals to subscribers who cannot receive the signals of local network affiliates. Second, it would extend the mandate on television broadcasters that prohibits them from entering into certain exclusive contracts for the rights to carry (retransmit) their programs. The bill also would extend the mandate on broadcasters, cable operators, and satellite carriers that requires them to negotiate retransmission agreements in good faith. Based on information from industry sources, CBO estimates that the cost of extending those mandates would be small.

The bill would impose two additional mandates related to negotiating agreements for retransmitting broadcast programs. It would prohibit television broadcasters from engaging in coordinated or joint negotiations with other television broadcasters in the same local market for the retransmission of their broadcast programs. The prohibition would not apply to broadcast stations in the same market under common control. Current law prohibits such joint negotiations among the top four stations in a local market. According to industry sources, the broader ban in the bill would affect only a small number of stations, and would be unlikely to have a large cost. The bill also would prohibit local broadcasters from using retransmission agreements to limit the ability of cable operators or satellite carriers to retransmit other broadcast signals they are authorized to carry. The existing standards for good faith negotiations tend to discourage such behavior and industry experts find limited evidence of such practices. Therefore, CBO estimates that the cost of this mandate would be small.

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. H.R. 5036 would extend the statutory license that allows transmission of television signals that are copyrighted without first obtaining permission from the copyright holder. CBO estimated that implementing H.R. 5036 would have an insignificant effect on the federal budget.

On July 3, 2014, CBO transmitted a cost estimate for S. 2454, the Satellite Television Reauthorization Act of 2014, as ordered reported by the Senate Committee on the Judiciary on June 26, 2014. S. 2454 would extend the statutory license that allows transmission of television signals that are copyrighted without first obtaining permission from the copyright holder. CBO estimated that implementing S. 2454 would have an insignificant effect on the federal budget.

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