



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 24, 2016

S. 1916 **Rural Health Care Connectivity Act of 2015**

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on November 18, 2015*

SUMMARY

S. 1916 would make certain skilled nursing facilities eligible for grants under the Universal Service Fund's (USF's) Rural Health Care (RHC) program. The Universal Service program is administered by the Federal Communications Commission (FCC) and is intended to promote the availability of telecommunications services at affordable rates. The cash flows of the USF appear in the budget as direct spending (for amounts distributed from the fund) and as revenues (for fund collections).

CBO estimates that enacting S. 1916 would increase direct spending by \$197 million over the 2017-2026 period and result in increased revenue collections of \$215 million over the same period, resulting in an estimated net reduction in the deficit of \$18 million. CBO estimates that implementing the bill would have no significant discretionary costs. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in one or more of the four consecutive 10-year periods beginning in 2027.

S. 1916 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO expects the FCC would increase fee collections associated with the USF to offset some of the costs of expanding the Rural Health Care program. As a result, the bill would increase the cost of an existing mandate on private entities required to pay those fees. Based on information from the FCC, CBO estimates that the cost of the mandate would amount to no more than \$25 million in any of the next five years. Thus, the aggregate cost of the mandate would fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S.1916 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										2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
INCREASE IN DIRECT SPENDING												
Estimated Budget Authority	5	10	15	20	25	25	25	30	30	30	75	215
Estimated Outlays	3	7	12	17	22	24	25	28	29	30	61	197
INCREASE IN REVENUES												
Estimated Revenues	5	10	15	20	25	25	25	30	30	30	75	215
NET DECREASE IN THE DEFICIT												
Impact on Deficit	-2	-3	-3	-3	-3	-1	0	-2	-1	0	-14	-18

BASIS OF ESTIMATE

Current law authorizes the Universal Service program to collect and spend up to \$400 million a year for Rural Health Care (RHC) programs, which provide reduced rates for telecommunications services for certain rural public and nonprofit health care providers. Expanding the eligibility criteria to include skilled nursing facilities (SNFs) would increase direct spending and revenues because the RHC programs currently operate below the statutory cap on total spending.

CBO estimates that enacting the program over the 2017-2026 period would increase direct spending and revenues by \$197 million and \$215 million, respectively, resulting in a net reduction in the deficit of \$18 million over that period. CBO estimates that an average of 1,650 public and nonprofit SNFs in rural areas would be eligible for grants during that period and that participation rates and grant awards would be similar to those for existing RHC programs. Based on information from the FCC, CBO estimates that participation rates would reach 75 percent over a period of several years and that certain non-rural entities affiliated with those participants also would receive funding. Grant awards would vary in size depending on the recipient's location and choice of benefits. In 2015, most RHC grantees received an average of about \$14,000 for telecommunications services; by contrast, payments to entities in Alaska averaged roughly \$140,000 because of the higher cost of services in that state. CBO estimates that grants would average about \$18,000 a year over the next 10 years, reflecting the historical growth in payments for other RHC programs.

Finally, based on information from the FCC, CBO estimates that the administrative activities needed to implement the new program would not have a significant effect on the agency’s operating costs. Moreover, under current law, the FCC is authorized to collect fees sufficient to offset the cost of its regulatory activities each year.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S.1916, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 18, 2015

	By Fiscal Year, in Millions of Dollars												2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026	
DECREASE IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-2	-3	-3	-3	-3	-1	0	-2	-1	0	-14	-18	
Memorandum:														
Changes in Outlays	0	3	7	12	17	22	24	25	28	29	30	61	197	
Changes in Revenues	0	5	10	15	20	25	25	25	30	30	30	75	215	

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1916 contains no intergovernmental mandates as defined in UMRA.

ESTIMATED IMPACT ON THE PRIVATE-SECTOR

CBO expects the FCC to increase fee collections to offset the costs associated with expanding the USF's Rural Health Care program to cover skilled nursing facilities. As a result, the bill would increase the cost of an existing mandate on some telecommunications companies required to pay those fees. Based on information from the FCC, CBO estimates that the cost of the mandate would amount to about \$5 million in 2017, increasing to about \$25 million in 2021. Therefore, the incremental cost of the mandate would fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation). CBO expects that telecommunications companies would generally pass most of the cost of the fee increase on to consumers.

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