CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 14, 2016

S. 2644
FCC Reauthorization Act of 2016

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on April 27, 2016

SUMMARY

S. 2644 would authorize appropriations totaling $728 million for the operations of the Federal Communication Commission (FCC) for 2017 and 2018. Assuming appropriation of those amounts, CBO estimates that implementing S. 2644 would have a gross cost of $705 million over the 2017-2021 period. CBO estimates that all appropriations to the FCC would be offset by fees authorized to be collected under current law. Assuming that future appropriation acts allow the FCC to continue to collect such fees, CBO estimates that net discretionary spending under S. 2644 would be reduced by $23 million over the 2017-2021 period.

Enacting S. 2644 would affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that the net effects would be negligible over the 2017-2026 period. Enacting the bill would not affect revenues.

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

S. 2644 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the mandate would impose no costs on state, local, or tribal governments.

S. 2644 would impose private-sector mandates, as defined in UMRA. Based on information from industry sources and information about existing state laws, CBO estimates that the aggregate costs of the mandates 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. 2644 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	2018	2019	2020	2021	2017-2021
INCREASES OR DECREASES (-) IN SPENDING SUBJECT TO APPROPRIATION [a]						
Gross FCC Spending						
Estimated Authorization Level	370	358	0	0	0	728
Estimated Outlays	315	345	42	3	0	705
Offsetting Collections						
Estimated Authorization Level	-370	-358	0	0	0	-728
Estimated Outlays	-370	-358	0	0	0	-728
Net FCC Spending						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	-55	-13	42	3	0	-23

Note: FCC = Federal Communications Commission.

a. In addition, S. 2644 would affect direct spending; however, the net effect over the 2017-2026 period would be insignificant.

BASIS OF ESTIMATE

For this estimate, CBO assumes that this bill will be enacted near the start of fiscal year 2017 and that the authorized and estimated amounts will be appropriated near the beginning of each fiscal year. Estimated outlays are based on historical spending for FCC activities.

Spending Subject to Appropriation

S. 2644 would authorize the appropriation of $361 million in 2017 and $349 million in 2018 for the FCC's operations. The FCC's appropriation for 2016 was $384 million. In addition, the bill would authorize the appropriation of such sums as may be necessary to cover other costs, such as future pay raises for employees. On the basis on information provided by the FCC about personnel costs, CBO estimates that those authorizations would total $9 million per year. Based on the agency's historical spending patterns, CBO estimates that implementing S. 2644 would result in gross outlays of $314 million in 2017 and $705 million over the 2017-2021 period, assuming appropriation of the authorized and estimated amounts.

The FCC's gross spending is offset by regulatory fees. The amount collected each year is specified in annual appropriations acts and over recent years has covered the entire amount appropriated. Assuming that future appropriations acts would require collections to fully offset the funding provided to the agency, CBO estimates that the proceeds from those fees would total $728 million over the 2017-2021 period. Because CBO estimates that the FCC generally does not spend all of its annual appropriation, implementing S. 2644 would reduce net discretionary outlays by $23 million over the 2017-2021 period.

S. 2644 also would direct the Government Accountability Office (GAO) to conduct several studies and reports on aspects of the FCC's operations. Based on the costs of similar reports conducted by GAO, CBO estimates that work would cost less than $500,000 in fiscal year 2017.

Direct Spending

Section 8 would extend the Universal Service Fund's (USF) exemption from provisions of the Antideficiency Act, through fiscal year 2018. Created by the Telecommunications Act of 1996, the USF redistributes income from interstate telecommunications carriers to other telecommunication carriers that provide services to high-cost areas, low-income households, schools, libraries, and nonprofit health care providers in rural areas. The cash flows from the USF appear in the budget as revenues (for fund collections) and as direct spending (for amounts distributed from the fund).

Under current law, the USF has a temporary exemption from the Antideficiency Act that will expire at the end of calendar year 2017. (That exemption was first provided in 2005.) The current exemption affects spending for one of the fund's initiatives, the Schools and Libraries program, which distributes funds to eligible institutions to provide affordable Internet and telecommunications services. When the USF receives and approves an application for the Schools and Libraries program, it obligates funds to be paid to the recipient pending compliance with certain grant conditions. Under the exemption, the USF is able to obligate funds for schools and libraries before it has collected sufficient amounts to meet those obligations. Without the exemption, the USF would not be able to obligate funds for schools and libraries until sufficient resources to meet such obligations became available. That program spent $2.1 billion in fiscal year 2015. By extending the exemption, S. 2644 would allow the program to obligate and spend funds faster than it would without the exemption.

CBO does not expect that the USF would collect or spend more as a result of the exemption; rather, we estimate that the timing of the spending would change. CBO estimates that under the exemption in S. 2644, spending in 2019 would be $152 million higher, and lower over the 2020-2021 period by the same amount. However, CBO estimates that the changes in the rate of spending would have no net effect over the 2017-2026 period.

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 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. 2644, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on April 27, 2016

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	152	-91	-61	0	0	0	0	0	0	0

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

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

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2644 contains an intergovernmental mandate as defined in UMRA. The bill would preempt state laws that govern the default configurations of a multi-line telephone system (MLTS) for 9-1-1 phone calls. Although the preemption would limit the application of state laws and regulations, CBO estimates that the bill would impose no duty on state, local, or tribal governments that would result in additional spending or a loss of revenues.

S. 2644 would impose private-sector mandates, as defined in UMRA, by requiring private entities responsible for manufacturing, importing, selling, leasing, or installing a multi-line telephone system to ensure that the system allows users to directly dial 9-1-1 without first dialing any additional digit such as “9.” In addition, entities that install such systems would be required to ensure the system provides an additional notification to a central location, either at the facility or otherwise, when a 9-1-1 call is placed if the system can be configured to do so without hardware upgrades. Based on information from industry sources, most MLTS systems already contain direct-dial and on-site notification functionality, and any costs associated with updating systems to meet the bill's requirements would be small. In addition, several states and some local governments already have laws that require direct dialing for 9-1-1 from MLTS systems.

In total, CBO estimates that the incremental costs to comply with the mandates would fall below the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation).

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