CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 3, 2014

H.R. 4572
STELA Reauthorization Act of 2014

As ordered reported by the House Committee on Energy and Commerce on May 9, 2014

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. 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 transmission without specific permission from the copyright holders. That license will expire on December 31, 2014. The bill also would direct the Federal Communications Commission (FCC) to delay or amend certain regulations affecting television stations and cable carriers. Finally, H.R. 4572 would require the Government Accountability Office and the FCC to prepare several reports for the Congress concerning copyright issues and access to non-local programming.

Based on information from the FCC, CBO estimates that implementing H.R. 4572 would cost about $1 million over the 2015-2019 period, assuming the availability of appropriated funds, for the required reports and regulatory actions. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 4572 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.

H.R. 4572 contains private-sector mandates, as defined in UMRA, on television broadcasters and satellite carriers. It would extend two mandates on television broadcasters that are set to expire under current law and impose new mandates on television broadcasters and satellite carriers. Based on information from the FCC and industry sources, CBO estimates that the aggregate cost of complying with 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 two existing mandates regarding the retransmission of broadcast programs by distributors of video programming services (pay television providers such as cable and satellite carriers). It would extend the mandate on television broadcasters that prohibits them from entering certain exclusive contracts with distributors of video programming services for the rights to carry (retransmit) their broadcast programs. That is, broadcast television stations must provide an opportunity to all distributors of video programming in the same market to negotiate an agreement to retransmit their broadcast programs. Second, it would extend the mandate on television broadcasters that prohibits them from receiving compensation from satellite carriers for retransmitting distant (non-local) broadcast programs to subscribers who live in areas that do not receive those broadcast signals. The cost of those mandates for broadcasters would be the net income forgone as a result of compliance with the prohibitions. Based on information from industry sources, CBO expects that the cost of extending those mandates would be small.

The bill also would prohibit television broadcasters from negotiating agreements on a joint basis with another television broadcaster in the same local market for re-transmission of their broadcast programs by distributors of video programming services. The prohibition would not apply to broadcast stations in the same market under common control. The cost of the mandate for broadcasters would be the loss of income as a result of the ban on joint negotiations. Under current law, a FCC rule that is scheduled to be in effect in June would ban such negotiations for the top four broadcast stations in a local market. The bill would broaden the ban to cover all television broadcasters in a local market. According to available studies, such joint negotiations are mostly done by the top broadcast stations. Therefore, CBO expects that the incremental cost to television broadcasters of the broader ban in the bill would not be large.

Lastly, the bill would impose a mandate on satellite carriers by requiring them to submit a report to the FCC containing certain information about the markets in which they provide local service. According to industry sources, satellite carriers already keep track of the information required to compile the report. Therefore, CBO estimates that the cost of preparing the data for the report would be minimal.

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Marin Burnett (for private-sector mandates). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.