



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 6, 2018

H.R. 5709 PIRATE Act

As passed by the U.S. House of Representatives on July 23, 2018

H.R. 5709 would expand the scope of a current prohibition against transmitting communications on certain spectrum frequencies without a license issued by the Federal Communications Commission (FCC). The act would make the facilitation of such transmission a punishable offense and it would raise the maximum allowable civil penalty for making such transmissions without an FCC license. H.R. 5709 also would require the agency to undertake additional enforcement and monitoring of unlicensed transmissions in the top five radio markets in the United States, publish a public database of all licensed radio stations and all entities operating without a license that were subject to an agency enforcement action, and report annually to the Congress on its enforcement activities.

Using information from the FCC, CBO estimates that implementing H.R. 5709 would require the agency to hire approximately 30 employees, at an average cost of \$230,000, to expand the scope of its enforcement efforts which would cost about \$7 million annually, primarily over the 2020-2023 period. In addition, CBO estimates that it would cost about \$3 million for the agency to expand a current database and purchase additional enforcement equipment necessary to implement the act. Over the 2019-2023 period, CBO estimates that implementing the act would have a gross cost of about \$30 million, however, under current law, the FCC is authorized to collect fees sufficient to offset the costs of its regulatory and enforcement activities each year; therefore, CBO estimates that the net cost to the FCC to implement the act would be negligible, assuming appropriation actions consistent with that authority.

H.R. 5709 would increase the maximum civil penalty associated with the transmission of communications without a FCC license to \$2 million. The act also would expand the scope of FCC enforcement. Penalties are recorded in the budget as revenues; therefore, pay-as-you-go procedures apply. CBO estimates that any increases in revenues would be insignificant in any year under the act. In 2017, the FCC imposed less than \$200,000 in penalties for such infractions. Enacting H.R. 5709 would not affect direct spending.

CBO estimates that enacting H.R. 5709 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5709 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

If the FCC increases annual fee collections to offset the costs of implementing additional enforcement measures as required by the act, H.R. 5709 would increase the cost of an existing private-sector mandate on commercial entities required to pay those fees. Using information from the FCC, CBO estimates that the incremental cost of the mandate would be small—roughly \$7 million annually—and would fall well below the annual threshold established in UMRA for private-sector mandates (\$160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.