



Legislative Bulletin.....December 18, 2005

Contents:

S. 1932 — Deficit Reduction Act (Title III)

Title III--Digital Television Transition and Public Safety

Major Changes Compared to the Original House-Passed Version:

- **Moves the hard deadline for the digital transition from December 31, 2008, to February 17, 2009.**
- **Reduces the initial allowable administrative costs under the analog-to-analog converter box subsidy program from \$160 million to \$100 million.**
- **Allows for DTV Conversion Fund to increase to from \$990 million to \$1.5 billion (\$160 million for administrative costs) if the National Telecommunications and Information Administration certifies to Congress that more money is needed to fulfill the program.**
- **Increases the value of the Public Safety Interoperable Communication Fund from \$500 million to \$1 billion.**
- **Pulls back the FCC's authority to auction licenses to use the electromagnetic spectrum from permanent extension to an extension through 2011.**
- **Increases the spending to help low-power TV stations from \$3 million to \$75 million.**
- **Eliminates the personalizing requirements for the converter box coupons.**
- **Eliminates the warning labels, public service announcements, and billing-statement requirements for informing the public about the DTV conversion.**
- **Condenses the four funds related to auction receipts into one.**
- **Eliminates the accelerated requirement that TV manufacturers must include digital tuners in all sets with screens between 13 inches and 24 inches sold in the United States (the current-law date of July 1, 2007 would remain in effect).**

- **Eliminates the mandate that cable companies and satellite carriers carry an eligible station's primary video stream in both standard digital *and analog* formats (without significant degradation in signal) until 2014.**

Savings to Taxpayers: According to the Budget Committee, Title III would reduce federal spending by about \$7.4 billion over five years. Such savings amount to 18.64% of the reported \$39.7 billion deficit reduction package.

Background: As the Energy & Commerce Committee reports, in 1996, to facilitate the digital TV transition, Congress gave each full-power television broadcaster (for free) an extra channel of spectrum to broadcast in digital format while continuing to broadcast in analog format on its original channel. Each broadcaster was supposed to eventually return either the original or additional channel and broadcast exclusively in digital format on the remaining channel. In 1997, Congress earmarked for public safety use some of the spectrum the broadcasters are supposed to return. Congress designated the rest of the spectrum to be auctioned for advanced commercial applications, such as wireless broadband services. Congress set December 31, 2006, as the deadline for broadcasters to return the spectrum for public safety and wireless use.

However, a “loophole” allows broadcasters in a market to delay the return of the spectrum until more than 85% of TV households in that market have at least one TV with access to digital broadcast channels using a digital television receiver, a digital-to-analog converter box, or cable or satellite service. Experts forecast it will take many more years to meet the 85-percent test nationwide.

The Committee further writes that “DTV offers sharper and wider pictures, and CD-quality sound. Even consumers with analog televisions connected to a converter box or cable or satellite service will receive better service than they did before the transition.”

Once the transition is complete, the Committee argues, broadcasters will be able to redirect the resources they currently expend running both analog and digital stations and “focus on programming that capitalizes on the advanced features of digital transmissions.” Manufacturers will also be able to increase the production of TVs and other consumer electronics equipment that takes advantage of these features, “which will also drive down prices.” The cleared spectrum will also be able to be used to bring “cutting-edge” wireless services to public safety officials and consumers. This spectrum travels greater distances at lower costs and “more easily penetrates buildings and foliage.” Consequently, the Committee contends, “it is ideal to bring mobile broadband services not only to urban areas, but to rural areas as well, which currently have very few cost-effective broadband options.”

FCC Spectrum Auction: Amends existing law regarding the Federal Communications Commission's (FCC) authority to auction licenses to use the electromagnetic spectrum. This subtitle contains provisions aimed at assisting consumers and others affected by the transition from analog to digital television broadcasts and provisions for grants to public safety agencies for communications systems. Highlights of this subtitle are as follows:

- Extends to 2011 the FCC's authority (which currently expires at the end of fiscal year 2007) to auction licenses to use the electromagnetic spectrum.

- Requires all broadcasters to stop their analog broadcasts and return their analog licenses to the FCC by February 17, 2009, without possibility for extension. [*Under current law, broadcasters do not have to return their analog licenses until December 31, 2006 OR until at least 85% of households in their respective service areas are able to receive digital TV signals.*] Beginning after February 18, 2009, broadcasters would have one channel in the television core (channels 2-51) on which to broadcast only in digital.
- Requires the FCC to clear the frequencies now used for channels 52 through 69 and auction them by January 28, 2008, for wireless broadband and other high-speed voice, video, and data uses (a portion has already been reserved for public safety purposes to establish more efficient, interoperable communications systems).
- Reserves some of the proceeds from the auctions of licenses for the use of the returned TV spectrum in the following new fund for direct spending by the Commerce Department:

Digital Television Transition and Public Safety Fund.

- Establishes this new fund capitalized by revenues from the auctions of the returned analog licenses. In addition, the Department of Commerce (acting through the National Telecommunications and Information Administration (NTIA)) would be authorized to borrow up to \$990 million from the U.S. Treasury to advance-fund and implement the Analog-to-Digital Converter Box Program (though these borrowed funds would have to be repaid from the auction sales). Caps administrative costs for this new subsidy program at \$100 million (\$5 million of which could be used to educate consumers about the transition and the subsidy program below).
- Allows for this Fund to increase to \$1.5 billion (\$160 million for administrative costs) if NTIA certifies to Congress that more money is needed to fulfill the program.
- Allows households to affirmatively apply for up to two coupons, valued at \$40 each, which could be applied toward the purchase of certain kinds of set-top boxes that convert over-the-air digital broadcast signals into an analog signal (that can be viewed on older TVs). The consumer will be required to pay the difference between the coupon and the cost of the box. Applications for coupons would be available electronically and, at a minimum, at government buildings (including post offices). The coupons, each of which would be valid for three months, would be available from January 1, 2008, through March 31, 2009 (thereby effectively terminating the program on June 30, 2009). **Note:** Televisions that are connected to satellite or cable TV will not need a converter box.
- Establishes a new \$1 billion grant program, funded by revenues from the auctions of the returned analog licenses (in the Digital Television Transition and Public Safety Fund), to make grants for the purchase or use of new communications equipment for public safety agencies that utilize a portion of the to-be-returned spectrum that is reserved for public safety uses.

- Requires that participating public safety agencies report to the Commerce Department on the use of these funds and agree that the federal share of any acquisition or deployment projects under this Fund be no more than 80%.
- Authorizes up to \$30 million from the Digital Television Transition and Public Safety Fund to reimburse the Metropolitan Television Alliance for costs incurred in the design and deployment of a *temporary* digital television broadcast system to provide digital service in the New York City area prior to the completion of the *permanent* digital transmission facility atop the to-be-constructed Freedom Tower (though these borrowed funds would have to be repaid from the auction sales).
- Authorizes \$75 million to be spent from the Digital Television Transition and Public Safety Fund to help eligible, analog-only low-power TV stations purchase an analog-to-analog conversion device that enables it to convert the incoming digital signal of its corresponding full-power TV station to analog format for transmission on the low-power analog channel.
- Authorizes \$156 million from the Digital Television Transition and Public Safety Fund to create a national alert and tsunami warning program.
- Authorizes \$43.5 million from the Digital Television Transition and Public Safety Fund to help implement the ENHANCE 911 Act of 2004.
- Authorizes \$15 million from the Digital Television Transition and Public Safety Fund for the Essential Air Program (as long as such spending equals or exceeds \$110 million).

New State-Government, Local-Government, or Private-Sector Mandates: As CBO reports, this subtitle does contain intergovernmental mandates “because it would impose certain requirements on television stations—more than 40 percent of which are owned by state and local entities—and would preempt energy efficiency standards in at least two states [California and New York].” State and local governments would be prohibited from passing laws that would regulate the energy consumption of the boxes.

This subtitle would also require public television stations to stop broadcasting their analog signals by February 17, 2009, earlier than is likely under current law. However, CBO reports that most publicly owned television stations have already made the transition to digital television and would realize savings of up to \$100,000 per station in electricity costs when they turn off their analog signals.

The subtitle also includes a number of private-sector mandates related to the digital TV transition.

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