

### At a Glance

## S. 1625, United States 5G Leadership Act of 2019

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 24, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	*	<b>574</b>	<b>726</b>
Revenues	<b>0</b>	<b>0</b>	<b>0</b>
Increase or Decrease (-) in the Deficit	*	<b>574</b>	<b>726</b>
Spending Subject to Appropriation (Outlays)	*	<b>30</b>	not estimated
Statutory pay-as-you-go procedures apply?	<b>Yes</b>	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	<b>&lt; \$5 billion</b>	Contains intergovernmental mandate?	<b>No</b>
		Contains private-sector mandate?	<b>Yes, Under Threshold</b>

\* = between zero and \$500,000.

#### The bill would

- Establish a program, administered by the Federal Communications Commission, to reimburse some U.S. communications providers for removing and replacing certain equipment
- Prohibit federal funds from being used to purchase certain equipment
- Impose requirements and create new programs to secure U.S. communications networks

#### Estimated budgetary effects would primarily stem from

- Reimbursements to communications providers
- Increases in spending subject to appropriation to create programs and issue reports

**Detailed estimate begins on the next page.**



## Bill Summary

S. 1625 would establish a program, administered by the Federal Communications Commission (FCC), to reimburse certain U.S. communications providers for the cost of removing and replacing any equipment made by Chinese companies, other companies subject to extrajudicial direction from a foreign government, or entities deemed to pose a national security risk to the United States. Under the bill, recipients of federal funding would be prohibited from using U.S. funds to purchase communications equipment from any of those entities.

S. 1625 would require the National Telecommunications and Information Administration (NTIA) to report to the Congress every two years about actions the government should take to ensure the deployment and availability of secure 5G networks. Additionally, the bill would require the Departments of Commerce and State and the FCC to promote and enhance U.S. representation on international standards-setting bodies for 5G and future generations of wireless networks. Finally, the bill would require the Department of Homeland Security (DHS) to establish a joint program to share national security risks and network vulnerabilities with U.S. communications providers and their trusted suppliers. Under the bill, DHS would help those entities secure their networks, equipment, and supply chains.

## Estimated Federal Cost

The estimated budgetary effect of S. 1625 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

**Table 1.**  
**Estimated Budgetary Effects of S. 1625**

	By Fiscal Year, Millions of Dollars						2020-2025
	2020	2021	2022	2023	2024	2025	
	<b>Increases in Direct Spending<sup>a</sup></b>						
Estimated Budget Authority	700	9	8	8	6	4	734
Estimated Outlays	*	2	77	183	165	146	574
	<b>Increases in Spending Subject to Appropriation</b>						
Estimated Authorization	*	6	6	6	6	7	31
Estimated Outlays	*	5	6	6	6	7	30

Components may not sum to totals because of rounding; \* = between zero and \$500,000.

a. Enacting the bill would increase direct spending by \$726 million over the 2020-2030 period.

## Basis of Estimate

CBO assumes that S. 1625 will be enacted in 2020. CBO estimates that enacting S. 1625 would increase direct spending by \$726 million over the 2020-2030 period. In addition, we estimate that spending subject to appropriation would increase by



\$30 million over the 2020-2025 period, assuming appropriation of the necessary amounts.

### **Direct Spending**

S. 1625 would authorize the FCC to borrow \$700 million from the Treasury to provide reimbursements to some communication providers for the cost of removing and replacing specific equipment. The bill also would authorize the FCC to spend additional amounts from interest credited to unspent balances. CBO estimates that the FCC would accrue \$39 million in interest on those balances through 2030; thus, \$739 million would be available for reimbursements over the 2020-2030 period. The bill would authorize the FCC to spend up to 2 percent (or \$15 million) of available amounts on related administrative costs.

Using information from the FCC and industry experts, CBO expects that eligible providers would request at least \$724 million in reimbursements over the 2020-2030 period. In 2020 and 2021, CBO anticipates, the FCC would issue rules, establish the program, and begin to accept applications; reimbursements would begin in 2022. Some providers would quickly remove and replace covered equipment, but for technical reasons others would probably take longer to do so. In total, CBO expects, the FCC would spend \$726 million on reimbursements and administrative costs over the 2020-2030 period, and the remaining amounts after 2030.

### **Spending Subject to Appropriation**

CBO estimates that it would cost the FCC \$4 million over the 2021-2025 period to issue, update, and enforce reimbursement rules and fulfill other requirements outlined in the bill. Any spending would be subject to the availability of appropriated funds. However, because the FCC is authorized to collect regulatory fees in amounts sufficient to offset its annual appropriation, CBO expects that the net change in discretionary spending by the FCC would be negligible, assuming appropriation action consistent with that authority.

Using information from NTIA, CBO expects that the agency would require five employees at varying salaries to prepare and submit reports to the Congress in 2021, 2023, and 2025. CBO estimates that each report would cost approximately \$400,000, for a total of about \$1 million over the 2020-2025 period.

In addition, CBO estimates that NTIA, the National Institute for Standards and Technology, and the Department of State would require a total of seven employees each year at an annual cost of \$170,000 per employee to enhance U.S. representation on international bodies that set standards for 5G and future generations of wireless communications networks. Over the 2020-2025 period, CBO estimates that those costs would total \$8 million.

Based on the cost of similar activities within DHS, CBO estimates that establishing the joint program office under S. 1625 would cost \$4 million annually, or about \$21 million over the 2020-2025 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 Table 2.

**Table 2.**  
**CBO's Estimate of the Statutory Pay-As-You-Go Effects of S. 1625, as Ordered Reported by the Senate Committee on Commerce, Science, and Transportation on July 24, 2019**

	By Fiscal Year, Millions of Dollars											2020-2025	2020-2030
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	<b>Net Increase in the Deficit</b>												
Pay-As-You-Go Effect	0	2	77	183	165	146	75	55	11	8	4	574	726

## Increase in Long-Term Deficits

CBO estimates that enacting S. 1625 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031.

## Mandates

S. 1625 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost would be below the threshold established in UMRA (\$168 million in 2020, adjusted annually for inflation).

S. 1625 would require communications providers to report to the FCC regarding certain purchases of equipment and it would eliminate an existing right of action against some providers that share or receive information on the security risks and vulnerabilities related to communications networks.

In addition, if the FCC increased fees to offset the costs associated with implementing the bill, S. 1625 would increase the cost of an existing mandate on private entities required to pay those fees.

S. 1625 contains no intergovernmental mandates as defined in UMRA.

## Previous CBO Estimate

On February 6, 2020, CBO transmitted a [cost estimate for H.R. 4998](#), the Secure and Trusted Communications Networks Act of 2019, as passed by the House of Representatives on December 16, 2019. Similar to S. 1625, H.R. 4998 would create a program to reimburse certain communications providers who remove and replace communications equipment.



However, all spending under H.R. 4998 would be subject to the availability of appropriated funds.

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