

April 2005

# LOCAL TV ACT

## Administrative Funds May No Longer Be Necessary



G A O

Accountability \* Integrity \* Reliability



Highlights of [GAO-05-438](#), a report to the Committee on Banking, Housing and Urban Affairs, United States Senate and the Committee on Financial Services, House of Representatives

## Why GAO Did This Study

This is GAO's third report addressing the LOCAL TV Act's requirement that GAO perform an annual audit of the (1) administration of the provisions of the act and (2) financial position of each applicant who receives a loan guarantee under the act, including the nature, amount, and purpose of investments made by the applicant. Although the LOCAL Television Loan Guarantee Program (LOCAL TV Program) was implemented in fiscal year 2004, there were no loan guarantee applicants for GAO to audit. Therefore, this report primarily addresses whether program administration during fiscal year 2004 satisfied the provisions of the act.

## What GAO Recommends

Should the Congress decide not to provide future loan guarantee funding, it may wish to rescind the balance of the \$2 million appropriated for administrative expenses to carry out the LOCAL TV Program that remains unobligated by contracts. In oral comments on a draft of GAO's report, the board generally agreed with the report and provided technical comments that have been incorporated as appropriate.

[www.gao.gov/cgi-bin/getrpt?GAO-05-438](http://www.gao.gov/cgi-bin/getrpt?GAO-05-438).

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or [williamsm1@gao.gov](mailto:williamsm1@gao.gov).

# LOCAL TV ACT

## Administrative Funds May No Longer Be Necessary

### What GAO Found

During fiscal year 2004, the LOCAL Television Loan Guarantee Board completed the steps necessary to prepare the LOCAL TV Program for implementation by issuing the mandated underwriting criteria and operating rules. On December 23, 2003, the board provided applicants the first opportunity to apply for a loan guarantee. The board received one application, which it returned with the related fee because the board determined that it was incomplete. On December 8, 2004, the Congress passed the Consolidated Appropriations Act, 2005, one provision of which rescinded appropriations that would have been used to guarantee loans under the LOCAL TV Program. The President's Budget for Fiscal Year 2006 pointed out that the unobligated budget authority for this program had been rescinded and the administration was not proposing additional funds for this program.

The LOCAL TV Act authorizes the LOCAL TV Board to approve loan guarantees until December 31, 2006. An amendment to this act provides for an earlier cut-off date with regard to most of the funding if the Secretary of Agriculture were to determine that at least 75 percent of the designated market areas (DMA) not in the top 40 had access to local television broadcast signals for virtually all households. During fiscal year 2004, there were 210 DMAs throughout the United States. To satisfy the requirement that at least 75 percent of the remaining 170 DMAs have access to local television signals, 128 DMAs would require local television access. Using available industry data, the board's analysis showed that as of September 30, 2004, 114 DMAs were receiving local television signals from at least one of the two major direct broadcast satellite (DBS) providers. These data further indicate that nationally, the number of U.S. television households without access to local television signals from DBS decreased from approximately 23.4 million in August 2003 to about 4.8 million as of September 2004. The board also pointed out that, during the same time period, the number of television households without access to local television through DBS or cable television dropped from 2.9 million to .6 million.

The board's estimated cost to implement the LOCAL TV Program from its initial funding on November 28, 2001, to September 30, 2004, is just over \$1.2 million, composed of contractual and in-house services. The contractual services include \$662,000 in obligations and disbursements made from the \$2 million administrative appropriation, primarily for an independent public accounting firm to develop the underwriting criteria and program regulations. Salaries and expenses incurred by the Working Group members to support the LOCAL TV Board were approximately \$597,000 from initial program funding through September 30, 2004. These costs were borne by the staff's respective departments and agencies.

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**Abbreviations**

DBS	direct broadcast satellite
DMA	designated market areas
LOCAL TV Act	Launching Our Communities' Access to Local Television Act of 2000
LOCAL TV Board	LOCAL Television Loan Guarantee Board
LOCAL TV Program	LOCAL Television Loan Guarantee Program
OMB	Office of Management and Budget
RUS	Rural Utilities Service
USDA	Department of Agriculture

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United States Government Accountability Office  
Washington, D.C. 20548

April 22, 2005

The Honorable Richard C. Shelby  
Chairman  
The Honorable Paul S. Sarbanes  
Ranking Minority Member  
Committee on Banking, Housing and Urban Affairs  
United States Senate

The Honorable Michael G. Oxley  
Chairman  
The Honorable Barney Frank  
Ranking Minority Member  
Committee on Financial Services  
House of Representatives

To facilitate access to signals of local television stations for households located in nonserved and underserved<sup>1</sup> areas, the Congress passed the Launching Our Communities' Access to Local Television Act of 2000 (LOCAL TV Act).<sup>2</sup> The act created the LOCAL Television Loan Guarantee Program (LOCAL TV Program), which provides for loan guarantees of up to 80 percent of loans totaling no more than \$1.25 billion in the aggregate to finance projects to enable local television signal access to communities where distance and topography limit access to over-the-air television broadcast signals or cable service. The act called for establishing the LOCAL Television Loan Guarantee Board (LOCAL TV Board or board), which is composed of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of Agriculture, and the Secretary of Commerce, or their designees, primarily to approve loan guarantees. It also established the Department of Agriculture's (USDA) Rural Utilities Service (RUS) Administrator as Program Administrator (Administrator) to issue and administer approved loan guarantees.

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<sup>1</sup> The act defines nonserved areas and underserved areas in terms of the ability to receive local television broadcast signals serving a particular designated market area. Nonserved areas do not have access to such signals by any commercial, for-profit multichannel video provider. Underserved areas have access to local television broadcast signals from not more than one commercial, for-profit multichannel video provider.

<sup>2</sup> Pub. L. No. 106-553, title X, 114 Stat. 2762A-128 (Dec. 21, 2000) (*codified, as amended, at* 47 U.S.C. §§ 1101-1110).

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This report, our third<sup>3</sup> since the program's initial funding, addresses the act's requirement<sup>4</sup> that we perform an annual audit of the (1) administration of the provisions of the act and (2) financial position of each applicant who receives a loan guarantee under the act, including the nature, amount, and purpose of investments made by the applicant. Although the program was implemented in fiscal year 2004, there were no loan guarantee applicants for us to audit. Therefore, this report primarily addresses whether program administration during fiscal year 2004 satisfied the provisions of the act.

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## Results in Brief

During fiscal year 2004, the LOCAL TV Board completed the steps necessary to prepare the LOCAL TV Program for implementation by issuing the mandated underwriting criteria and operating rules. On December 23, 2003, the board provided applicants the first opportunity to apply for a loan guarantee. The board received one application, which it returned to the applicant with the related fee because the board determined that it was incomplete. Then on December 8, 2004, the Congress passed the Consolidated Appropriations Act, 2005,<sup>5</sup> which rescinded<sup>6</sup> the unobligated balances of prior year appropriations that were available for guaranteeing loans under the LOCAL TV Program. The President's Budget for Fiscal Year 2006 pointed out that the unobligated budget authority for this program had been rescinded and stated the administration was not proposing additional funds for the program.

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<sup>3</sup> GAO previously issued *Local TV Act: Progress Made, but Timeliness and Cost Accounting Issues Need to be Addressed*, [GAO-04-134](#) (Washington, D.C.: Oct. 31, 2003) and *Local Television Act: Status of Spending for Fiscal Year 2003*, [GAO-05-18R](#) (Oct. 15, 2004).

<sup>4</sup> See Local TV Act, Pub. L. No. 106-553, title X, § 1006, 114 Stat. 2762A-128,-138 (Dec. 21, 2000) (*codified at* 47 U.S.C. § 1105).

<sup>5</sup> Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2005, Pub. L. 108-447, div. A, § 775, 118 Stat. 2811, 2849 (Dec. 8, 2004).

<sup>6</sup> A rescission consists of legislation enacted by the Congress that cancels the availability of budgetary resources previously provided by law before the authority would otherwise lapse.

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The LOCAL TV Act, as amended, authorizes the LOCAL TV Board to approve loan guarantees with all appropriated funds until December 31, 2006, or by an earlier cut-off date, with regard to most of the funding, if the Secretary of Agriculture (Secretary) determines that at least 75 percent of the designated market areas (DMA)<sup>7</sup> not in the top 40 have access to local television broadcast signals for virtually all households. During fiscal year 2004 there were 210 DMAs throughout the United States. To make this statutory determination for early termination of loan guarantee authority, the Secretary would have had to determine that at least 75 percent of the remaining 170 DMAs (i.e., at least 128 DMAs) have access to local television signals for virtually all households. At the end of the fiscal year 2004, the RUS analyzed which DMAs had access to local television signals using two major direct broadcast satellite<sup>8</sup> (DBS) providers. Using available industry sources, the board's analysis showed that as of September 30, 2004, 114 out of the 170 DMAs were receiving local television signals from DBS. Thus, the criterion for early termination under the act was not yet satisfied.<sup>9</sup> These data further indicate that nationally the number of television households that have access to local television signals using DBS has increased since August 2003 from approximately 83.2 million out of 106.6 million U.S. television households, or 78 percent, to approximately 103.5 million out of 108.4 million U.S. television households, or 95 percent, as of September 30, 2004. Conversely, the data indicates that the number of U.S. television households without access to local television signals from DBS providers has decreased from approximately 23.4 million in August 2003 to about 4.8 million at September 2004. The board also told us that the number of television households without access to local television via DBS or cable television dropped from 2.9 million in August 2003 to .6 million in September 2004.

The LOCAL TV Board's estimated cost to prepare the LOCAL TV Program for implementation from its initial funding on November 28, 2001, to September 30, 2004, is just over \$1.2 million and is composed of contractual and in-house services. The contractual services include \$662,000 in

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<sup>7</sup> A DMA is an area designated as such by Nielsen Media Research and published in the most recent Nielsen Station Index Directory and Nielsen Station Index United States Television Household Estimates.

<sup>8</sup> DBS service is a nationally distributed subscription service that delivers video and audio programming via satellite to a small public parabolic dish antenna located at the subscriber's residence.

<sup>9</sup> See table 1 on the status of DBS local TV signal access for DMAs as of September 30, 2004.

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obligations and disbursements made from the November 2001 \$2 million administrative appropriation, primarily for an independent public accounting firm to develop the underwriting criteria and program regulations, in anticipation of making one or more loan guarantees in accordance with the act. Salaries and expenses incurred by the Working Group members to support the board were approximately \$597,000 through September 30, 2004. The LOCAL TV Program did not have full-time staff but depended on staff from the various agencies supporting the board as a collateral duty. The respective departments and agencies of the Working Group members absorbed these costs from their own existing budgetary resources.

Given the congressional rescission of funding to support loan guarantees under this program, we are submitting a matter for congressional consideration to rescind the balance of the \$2 million appropriated for administrative expenses to carry out the LOCAL TV Program and transferred to GovWorks, that remains unobligated by contracts in that account, if the Congress decides not to provide future loan guarantee funding.

In oral comments on a draft of this report, the LOCAL TV Board generally agreed with our report and provided technical comments that we have incorporated, as appropriate.

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## Background

The Launching Our Communities' Access to Local Television Act of 2000 created a guaranteed loan program to facilitate access to signals of local television stations for households located in nonserved and underserved areas of the United States. The act established the LOCAL Television Loan Guarantee Board. The board's primary function is to approve loan guarantees to finance projects to provide local television signal access for communities in remote areas throughout the United States. The act authorized the board to approve loan guarantees up to 80 percent of the value of each loan and provided that total guaranteed lending was not to exceed \$1.25 billion. Loan repayment was to be made during the lesser of (1) 25 years from the date of the execution of the loan or (2) the economically useful life of the primary assets to be used in the delivery of the signal involved.



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The act set forth specific provisions and requirements for the LOCAL TV Board to implement this new program. Specifically, the act requires the board to: (1) direct the Administrator<sup>10</sup> to prescribe regulations and develop underwriting criteria in consultation with the Director of the Office of Management and Budget (OMB) and an independent public accounting firm within 120 days after the Congress appropriated funds; (2) establish and collect loan application and loan guarantee origination fees to offset the cost of administering the program under the act, including the costs of the board and the Administrator; and (3) consider other numerous specialized technical and business requirements prior to approving a loan guarantee. Further, the act, as amended in 2002, restricts the time period during which the board may approve loan guarantees. The act provides for terminating the board's authority to guarantee loans (1) by December 31, 2006 with all appropriated funds or (2) by an earlier cut-off date with regard to most of the funding if the Secretary of Agriculture determines that at least 75 percent of the DMAs not in the top 40 DMAs have access to local television broadcast signals for virtually all households (as determined by the Secretary of Agriculture).<sup>11</sup>

The act directs the Administrator of RUS, an agency of the USDA's Rural Development, to develop the regulations and to issue and administer loan guarantees that have been approved by the LOCAL TV Board. This is consistent with RUS's mission of administering loan and grant programs, including those to finance projects so rural areas can have, among other things, more modern affordable electricity, telecommunications, public water, and waste removal services.

Based on authority granted in the act, the LOCAL TV Board established a Working Group, consisting of senior level officials from the various departments and agencies that represent the board, to assist it with implementing the program.

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<sup>10</sup> The act established USDA's RUS Administrator as Program Administrator.

<sup>11</sup> These two criteria for ending the lending period for approving loan guarantees did not apply uniformly to the funding available. The December 31, 2006, date applied to all amounts appropriated. However, the earlier cut-off date applies to \$80 million of funds of the Commodity Credit Corporation made available in the Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171, § 6404, 116 Stat. 134, 429 (May 13, 2002).

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Initial program funding was provided in November 2001 through the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002.<sup>12</sup> This act provided \$2 million for administrative expenses and a \$20 million appropriation which, based on estimated subsidy costs, would have supported \$258 million in loan guarantee authority over the life of the loans. In May 2002, the Farm Security and Rural Investment Act of 2002<sup>13</sup> appropriated an additional \$80 million to support guaranteed lending. In August 2002, the Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States<sup>14</sup> rescinded the \$20 million credit subsidy appropriated in November 2001 and appropriated an additional \$8 million credit subsidy. Cumulatively the LOCAL TV Program had an \$88 million credit subsidy to finance expected costs to support \$1.07 billion in loan guarantee authority, at the end of fiscal year 2002.<sup>15</sup> The program retained this budget authority until December 2004, when the Congress rescinded the entire \$88 million credit subsidy in the Consolidated Appropriations Act, 2005, thus eliminating all authority for the LOCAL TV Board to approve loans pending a future appropriation for this purpose. Figure 1 provides a listing of key activities from program inception through September 2003.

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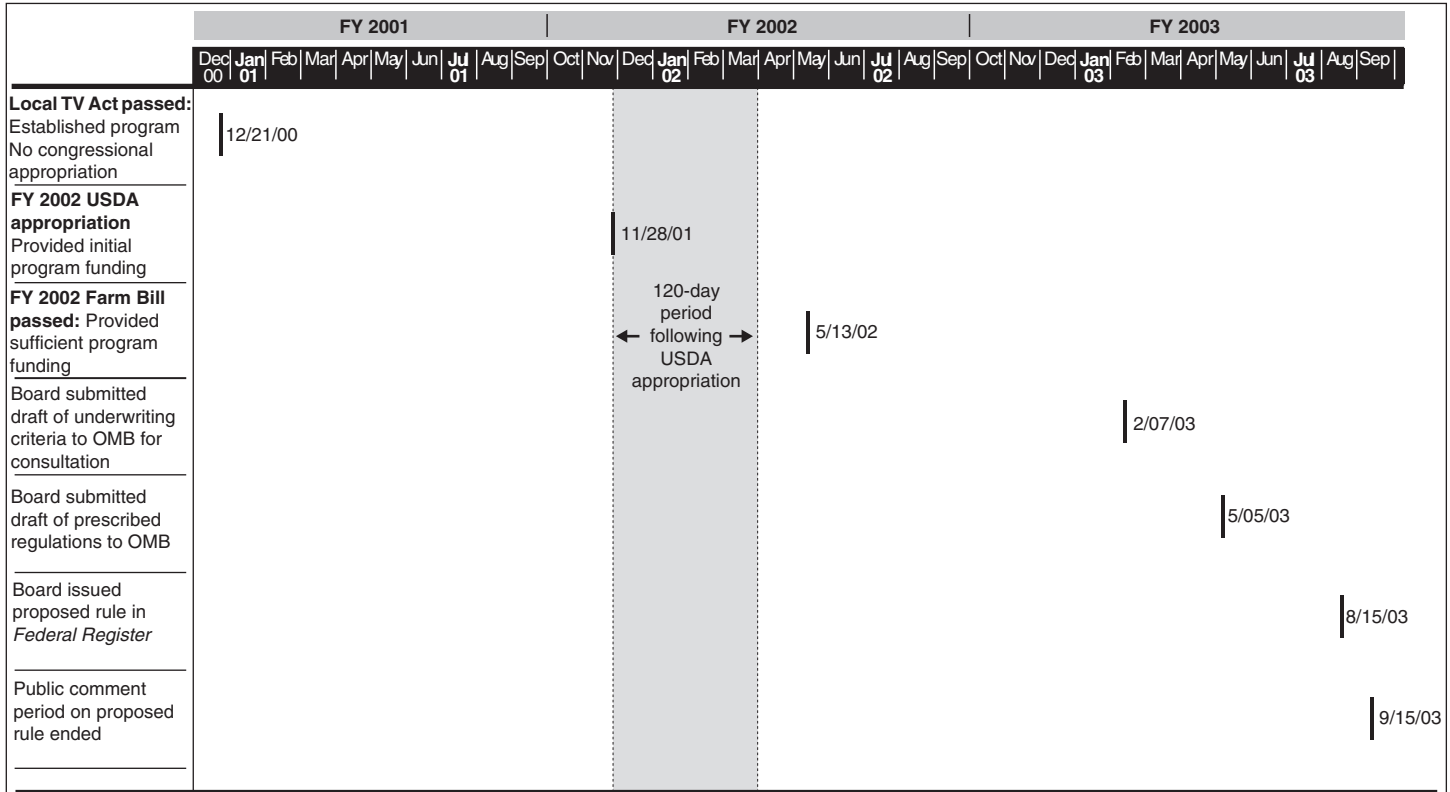
<sup>12</sup> Pub. L. No. 107-76, title III, 115 Stat. 704, 725 (Nov. 28, 2001).

<sup>13</sup> Pub. L. No. 107-171, § 6404, 116 Stat. 134, 429 (May 13, 2002).

<sup>14</sup> Pub. L. No. 107-206, 116 Stat. 820, 822 (Aug. 2, 2002).

<sup>15</sup> Hereafter, any discussion regarding budget authority to support loan guarantees will be referred to as “the act, as amended.”

**Figure 1: Program Activities from Inception to September 30, 2003**



Source: GAO analysis.

## Scope and Methodology

To evaluate how the provisions of the act were administered, we focused primarily on program activities and related obligations and administrative expenses that were incurred on behalf of the LOCAL TV Program during fiscal year 2004. We analyzed the LOCAL TV Act to obtain an understanding of its provisions and reviewed legislation concerning the program's funding. We obtained and evaluated information from the LOCAL TV Board, including minutes from board meetings and other budget and cost information, to obtain an understanding of the activities that occurred to implement the program during fiscal year 2004. We did not independently verify or audit the cost data we obtained from the board. Also, we did not independently review the program regulations or underwriting criteria. Therefore, we do not provide any assurance on them. We did not obtain the loan application received by the LOCAL TV Board, nor did we review the

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board's assessment of the application. Further, we did not independently audit or verify the board's analysis of local television coverage by DBS for the DMAs not in the top 40 DMAs. We conducted our work from September 2004 through March 2005 in accordance with U.S. generally accepted government auditing standards.

We requested comments on a draft of this report from the Local TV Board. The board's comments are discussed in the Agency Comments and Our Evaluation section of this report.

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## Program Prepared for Implementation but Funding Rescinded

During fiscal year 2004, the LOCAL TV Board completed the steps necessary to prepare the LOCAL TV Program for implementation by issuing the mandated underwriting criteria and operating rules. On December 23, 2003, through a notice published in the *Federal Register*,<sup>16</sup> the board provided applicants the first opportunity to apply for a loan guarantee. The board received one application during the application period, which opened on December 23, 2003 and closed on April 21, 2004. The board reported<sup>17</sup> that the application lacked essential components required by the program regulations and returned it to the applicant with the related fee.

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<sup>16</sup> Notice of Application Filing Deadline, Local Television Loan Guarantee Program, 68 Fed. Reg. 74,434 (Dec. 23, 2003).

<sup>17</sup> Notice of Applications Received, Local Television Loan Guarantee Program, 69 Fed. Reg. 41,552 (July 9, 2004).

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On May 24, 2004, the LOCAL TV Board considered opening another 60-day application window for the program. However, it later decided against doing so because of the limited response to the first application opportunity and the pending congressional action to rescind the program's entire loan guarantee authority. On December 8, 2004, the Congress passed the Consolidated Appropriations Act, 2005,<sup>18</sup> one provision of which rescinded the program's unobligated balances which were available for guaranteeing loans. Further, the President's Budget for Fiscal Year 2006 pointed out that the unobligated budget authority for this account had been rescinded and stated that the Administration was not proposing additional funds for the Local TV Program.

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## The Board's Analysis Showed That Access to Local Television Signals Using DBS in Rural Areas Improved

The LOCAL TV Act authorizes the board to approve loan guarantees funded with appropriated funds until December 31, 2006. Furthermore, as discussed earlier, for most of the funding, the board's authority to approve loan guarantees would terminate before then if the Secretary of Agriculture determines that at least 75 percent of the DMAs not in the top 40 have access to local television broadcast signals for virtually all households. During fiscal year 2004, there were 210 DMAs throughout the United States. To make this statutory determination for early termination of loan guarantee authority, the Secretary would have had to determine that at least 75 percent of the remaining 170 DMAs (i.e., at least 128 DMAs) have access to local television signals for virtually all households.

The LOCAL TV Board provided us with written documentation showing how RUS staff tracked market developments through industry sources, including press releases and trade news reports. Using these sources, the board's analysis showed as of September 30, 2004, that 114 of the 170 DMAs were receiving local television signals from at least one of the two major DBS providers. Based on that data, the criteria for early termination under the act were not satisfied. Therefore, at the end of fiscal year 2004, 56 DMAs, or approximately 4.8 million U.S. television households, were not receiving access to local television signals from DBS. Based on the criteria established by the act, as amended, and the board's analysis as of September 30, 2004, it would appear that at least 14 more DMAs would need access to local television signals for virtually all households.

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<sup>18</sup> Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2005, Pub. L. No. 108-447, div. A, § 775, 118 Stat. 2811, 2849 (Dec. 8, 2004).

This need would be met if DBS providers began delivering local signals to those markets. Based on data received from the LOCAL TV Board, this would involve approximately 470,000 to 2 million additional television households, depending on which DMAs are provided access. Table 1 shows the status of the local television signal access by DBS for DMAs and television households as of September 30, 2004.

**Table 1: Status of DBS Local TV Access for Designated Market Areas and Television Households as of September 30, 2004**

	Number of DMAs	Equivalent number of television households (millions)
<b>Total DMAs</b>	<b>210</b>	<b>108.4</b>
Less: Top 40 DMAs	40	66.1
Television markets not in Top 40 DMAs	170	42.3
Requirement of the act, as amended (170 ×75%)	128	
Number of DMAs receiving local TV access through DBS	114	37.5
Number of DMAs not receiving access to local television signals through DBS	56	4.8

Source: GAO analysis based on information from the LOCAL TV Board.

From a national perspective and based on the board's analysis, we determined the number of television households that have access to local television signals using DBS has increased since August 2003. In August 2003, approximately 83.2 million of 106.6 million television households had access to local television signals. During fiscal year 2004, the board analyzed the extent to which direct broadcast satellites were currently providing access to local television signals in DMAs. The board's estimate of U.S. television households with access to local television signals using DBS was approximately 103.4 million out of 108.4 million as of September 30, 2004. This represents an increase from 78 percent to 95 percent in U.S. television households that had access to local television signals from DBS between August 2003 and September 2004. Conversely, these data indicate that the number of U.S. television households without access to local television signals from DBS has decreased from approximately 23.4 million in August 2003 to about 4.8 million in September 2004. This represents a decrease of approximately 18.6 million U.S. television households, or a 79 percent reduction. The board also told us that the number of television households without access to local television via DBS or cable television dropped from 2.9 million in August 2003 to .6 million in September 2004. Because all of the appropriated funds

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for the LOCAL TV Program were rescinded, the board advised us that it has no plans to conduct additional market analyses.

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## Program Development Costs Total More Than \$1.2 Million

The LOCAL TV Board's estimated cost to implement the program from its initial funding on November 28, 2001, to September 30, 2004, is over \$1.2 million. This estimate is composed of two components. First, it includes \$662,000 in obligations and disbursements made from the \$2 million administrative appropriation for Ernst & Young LLP to develop the underwriting criteria and program regulations and related GovWorks<sup>19</sup> administrative fees. The second component includes the board's estimate of salaries and expenses incurred by the Working Group members to support the board<sup>20</sup> that totals approximately \$597,000.

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2002 provided \$2 million to USDA for administrative expenses.<sup>21</sup> During fiscal year 2002, USDA obligated the entire \$2 million by issuing an order for its anticipated needs to GovWorks, which subsequently awarded, on the board's behalf, two contracts totaling about \$1.2 million. The first contract was awarded to Ernst & Young LLP for approximately \$749,000 (including GovWorks fees). Of this amount, GovWorks obligated and disbursed approximately \$640,000 to Ernst & Young LLP to develop the underwriting criteria and program regulations and \$22,000 in fees to GovWorks. The second contract was issued to Arnold and Porter LLP for legal services in the amount of \$500,000. No obligations or disbursements were made for this contract, and during the first quarter of fiscal year 2005, the board decided to terminate it. As of December 31, 2004, the remaining available balance was approximately \$1.3 million,

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<sup>19</sup> GovWorks is a franchise fund established within the Department of the Interior by the Congress and the OMB to offer administrative services to agencies.

<sup>20</sup> [GAO-04-134](#), p. 9.

<sup>21</sup> The Consolidated Appropriations Resolution, 2003, provided that any balances available from prior years for the Rural Utilities Service, Rural Housing Service, and the Rural-Business Cooperative Service salaries and expenses account be transferred to and merged with the fiscal year 2003 appropriation. Pub. L. No. 108-7, div. A, title III, 117 Stat. 26, 28 (Feb. 20, 2003). Pursuant to this provision, the balance of the \$2 million appropriated in fiscal year 2002 was carried forward to fiscal year 2003. Similar provisions with the same carry-forward effect occurred for fiscal years 2004 and 2005. See Pub. L. No. 108-199, div. A, title III, 118 Stat. 3, 21 (Jan. 23, 2004) and Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, div. A, title III, 118 Stat. 2809, 2827-28 (Dec. 8, 2004).

including \$800,000 that was never awarded and \$500,000 from the terminated Arnold and Porter LLP contract.

Separate from the \$2 million administrative appropriation, based on authority granted in the act, the LOCAL TV Board established a Working Group, consisting of senior level officials from various departments and agencies that are represented on the board, to assist it with implementing the LOCAL TV Program. The program did not have full-time staff but depended on staff from the various agencies supporting individual board members as a collateral duty. The costs incurred by the Working Group members to support their board members have been borne by the respective departments and agencies from within their existing budgetary resources (i.e., salaries and expenses appropriations or accounts). The LOCAL TV Board estimated that the Working Group incurred a total cost from initial funding of the program through September 30, 2004, of approximately \$597,000. Table 2 provides a summary of the reported estimated administrative costs incurred by the Working Group for fiscal years ended September 30, 2002 through 2004.

**Table 2: Summary Estimate of Reported Administrative Costs Incurred by the Working Group for the Fiscal Years Ended September 30, 2002-2004**

Entity representing the LOCAL TV Board	Fiscal year			Total (inception through 9/30/04)
	2002	2003	2004	
USDA Rural Utilities Service	\$53,586	\$158,491	\$166,977	\$379,054
Department of the Treasury	11,202	50,402	59,314	120,918
Department of Commerce	8,506	31,123	21,657	61,286
Federal Reserve Board	5,155	15,277	15,584	36,016
<b>Total estimated costs</b>	<b>\$78,449</b>	<b>\$255,293</b>	<b>\$263,532</b>	<b>\$597,274</b>

Source: GAO analysis based on information from the board.



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Because no applications were accepted and no loan guarantees were issued, none of the costs in Table 2 were recovered by fees charged to loan guarantee applicants.<sup>22</sup>

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## Conclusions

The Congress has rescinded the funding to support loan guarantees under the LOCAL TV Act, and the President's Budget for Fiscal Year 2006 did not propose additional funds for the LOCAL TV Program. Unless the Congress appropriates additional budget authority for loan guarantees, USDA may not need the balance of the administrative funds (about \$1.3 million) transferred to and remaining unobligated by contract in the GovWorks account.

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## Matter for Congressional Consideration

Should the Congress decide not to provide future loan guarantee funding, it may wish to consider saving budgetary resources by rescinding the balance of the \$2 million appropriated for administrative expenses to carry out the LOCAL TV Program that has been transferred to GovWorks, but remains unobligated by contracts in that account.

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## Agency Comments and Our Evaluation

In oral comments, the LOCAL TV Board generally agreed with the report's findings and provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the Secretaries of Agriculture, Commerce, and Treasury, and the Chairman of the Board of Governors of the Federal Reserve System, members of the Local Television Loan Guarantee Board, and the Director of the Office of Management and

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<sup>22</sup> The Local TV Act and implementing regulations required the LOCAL TV Board to charge applicants a loan application fee and a loan guarantee origination fee. *See* Pub. L. No. 106-553, title X, § 1005(n), 114 Stat. 2762A-128, 137 (Dec. 21, 2000) (*codified at* 47 U.S.C. § 1104(n)); *see also* 7 C.F.R. §§ 2201.11 (m), (n), 2201.21 (2005). The act established the loan application fee "to cover the cost of the board in making necessary determinations and findings with respect to the loan guarantee application under this act." The act established the loan guarantee origination fee to cover the administrative costs, including the costs of the board, in association with the issuance of a loan guarantee. However, the act limits the board to imposing fees that in the aggregate do not exceed the actual amount of administrative costs under this act.

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Budget. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Should you or your staff have any questions on matters discussed in this report, please contact me at (202) 512-6906 or by e-mail at [williamsm1@gao.gov](mailto:williamsm1@gao.gov) or Alana Stanfield, Assistant Director, at (202) 512-3197 or [stanfielda@gao.gov](mailto:stanfielda@gao.gov). Major contributors to this report are acknowledged in appendix I.

A handwritten signature in black ink that reads "McCoy Williams". The signature is written in a cursive, flowing style.

McCoy Williams  
Director  
Financial Management and Assurance

# GAO Contacts and Staff Acknowledgments

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## Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Lisa Crye, F. Abe Dymond, Lauren S. Fassler, Jeff Isaacs, and Christina Quattrociocchi.

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## GAO's Mission

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