



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 On December 8, 2004, the Congress passed the Consolidated Appropriations Act, 2005, one provision of which rescinded appropriations that would have been used to guarantee loans under the LOCAL TV Program. The President's Budget for Fiscal Year 2006 pointed out that the unobligated budget authority for this program had been rescinded and the administration was not proposing additional funds for this program.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.