CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 15, 2006

H.R. 4943
Prevention of Fraudulent Access to Phone Records Act

As ordered reported by the House Committee on Energy and Commerce on March 8, 2006

SUMMARY

H.R. 4943 would prohibit deceitfully obtaining or selling the personal information of telecommunications customers, including customers' phone records. The bill also would require telecommunications carriers to take precautions to safeguard customers' personal information and to notify customers and the Federal Communications Commission (FCC) whenever there is a breach in the security of this information. The FCC and the Federal Trade Commission (FTC) would enforce these restrictions and requirements. The bill also would direct the FCC to write regulations regarding security precautions for carriers, periodically audit the security practices of telecommunication carriers, and prepare reports on the assessment of the new regulations and requirements.

Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost the FCC less than $500,000 in 2006 and about $5 million over the 2007-2011 period to enforce the bill's provisions regarding the personal information of telecommunications customers, write regulations, audit security systems, and prepare reports. We estimate that implementing the bill would not have a significant effect on FTC spending.

Enacting the bill could increase federal revenues as a result of the collection of additional civil penalties assessed for violations of the new laws and regulations. Collections of civil penalties are recorded in the budget as revenues. CBO estimates, however, that any additional revenues that would result from enacting the bill would not be significant because of the relatively small number of cases likely to be involved. Enacting the bill would not affect direct spending.

H.R. 4943 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. H.R. 4943 would impose new private-sector mandates, as defined in UMRA, on telecommunications carriers. The bill would require such carriers to expand certain privacy

requirements relating to phone records and would require the FCC to prescribe more stringent security requirements for customer proprietary network information including phone records. Since the regulations have not been established, CBO cannot estimate the direct cost to comply with those mandates. Consequently, CBO cannot determine whether the costs of the mandates would exceed UMRA's annual threshold for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4943 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit). For this estimate, CBO assumes that the bill will be enacted in 2006 and that the necessary amounts will be appropriated for each year. Based on information from the FCC, CBO estimates that implementing the bill would cost less than $500,000 in 2006 and about $5 million over the 2007-2011 period for the agency to enforce the bill's provisions regarding the personal information of telecommunications customers, issue regulations, audit the security practices of telecommunication carriers, and prepare reports on the assessment of the new regulations and requirements.

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	*	1	1	1	1	1
Estimated Outlays	*	1	1	1	1	1

NOTE: * = Less than $500,000.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4943 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4943 would impose new private-sector mandates, as defined in UMRA, by expanding the customer privacy requirements for telecommunications carriers. The bill would require such carriers to receive express prior authorization from the customer before using, accessing or disclosing their phone records to joint venture partners, independent contractors or others. Based on information from government sources, the direct cost for carriers to comply with this new requirement could be nominal. Section 203 would require the FCC to prescribe regulations adopting more stringent security standards for customer proprietary network information. The FCC regulations would require telecommunications carriers to:

- Provide timely notice to each customer and the commission upon breach of the regulations;
- Submit to periodic audits by the commission;
- Maintain certain records;
- Establish a security policy; and
- Prohibit the disclosure of customer phone information by an employee or agent of the carrier.

According to government sources, some of the requirements would be satisfied by current practices within the telecommunications industry. The cost of providing additional security would depend on the rules to be prescribed by the FCC. Since the regulations have not been established, CBO cannot estimate the direct cost to comply with the new mandates. Consequently, CBO cannot determine whether the costs of those mandates would exceed the annual threshold for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: Melissa Z. Petersen
Impact on State, Local, and Tribal Governments: Sarah Puro
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis