



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 11, 2000

### **H.R. 3011** **Truth in Telephone Billing Act of 1999**

*As ordered reported by the House Committee on Commerce on October 5, 2000*

H.R. 3011 would require telecommunications carriers to itemize on subscribers' billing statements certain information about each governmental tax, fee, or payment that is levied by federal, state, or local governments. The bill also would require the General Accounting Office (GAO) to complete a study within one year on the subsidies to providers and consumers of telecommunications services. In addition, H.R. 3011 would punish with forfeiture penalties any telecommunications carrier that pays less in governmental taxes, fees, or payments during a billing period than it collects from subscribers for these purposes. The bill also would allow the Federal Communications Commission (FCC) to redistribute these collections to the affected subscribers.

Based on information from GAO, CBO estimates that implementing H.R. 3011 would cost GAO about \$1 million in 2001, subject to the availability of appropriated funds, to complete the required study. Because the bill would create new forfeiture penalties and direct spending, pay-as-you-go procedures would apply.

Based on information from the FCC and private-sector sources, CBO estimates that the additional forfeiture penalties collected under H.R. 3011 would amount to less than \$500,000 a year. Thus, the provision allowing the FCC to redistribute the forfeiture penalties back to affected subscribers would cause an insignificant increase in direct spending.

H.R. 3011 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would require telecommunications carriers, including those owned by state and municipal governments, to include certain information on government assessments on all consumer telephone bills. According to informal estimates by industry groups, there are fewer than 10 state or municipally owned telecommunications carriers. Based on the relatively small number of publicly owned telecommunications carriers, CBO estimates that the costs to state and local governments would not be significant and would not exceed the threshold established by UMRA (\$55 million in 2000, adjusted annually for inflation).

H.R. 3011 also contains private-sector mandates as defined in UMRA. CBO estimates that the total direct costs of mandates in the bill would not exceed the threshold for private-sector mandates established by UMRA (\$109 million in 2000, adjusted annually for inflation).

H.R. 3011 would impose two mandates on telecommunications carriers. First, the bill would require telecommunications carriers to include certain information on government assessments on all consumer telephone bills. The bulk of the costs to comply with those mandates would be programming time to include the required information on telephone bills. According to the FCC statistics, an estimated 1,300 companies provide local telephone services and 700 companies provide long-distance telephone services. Each of those companies would need to modify their computer programs to provide the additional disclosures on telephone bills. According to some industry estimates, the cost to make those changes would be in the range of \$15,000 to \$20,000 per company. Additional minimal costs would be required to accommodate the maintenance and operational costs of administering the changes in the billing process.

Second, the bill would prohibit telecommunication carriers from collecting excess charges as government assessments. Any carrier found in violation would be liable for a penalty in the amount of the excess and any additional penalties applicable in current law. Because the systems are already in place to collect the government assessments, CBO expects the additional cost to administer the system with such a prohibition would be small.

The CBO staff contacts for this estimate are Ken Johnson (for federal costs), Shelley Finlayson (for the impact on state and local governments), and Paige Piper/Bach (for the impact on the private sector). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.