



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 12, 2016

H.R. 2566 **Improving Rural Call Quality and Reliability Act of 2016**

*As ordered reported by the House Committee on Energy and Commerce
on September 21, 2016*

The Federal Communications Commission (FCC) is an independent agency that regulates various aspects of wireline (telephone, for example), wireless, cable, and satellite communications. H.R. 2566 would require certain providers of voice communication services to register with the FCC. It also would require the FCC to issue rules establishing service quality standards for those providers.

Based on an analysis of information from the FCC about the effort needed to create those service standards, CBO estimates that implementing H.R. 2566 would cost \$3 million over the 2017-2021 period. However, under current law the FCC is authorized to collect fees sufficient to offset the cost of its regulatory activities each year. Therefore, CBO estimates that the net cost to implement H.R. 2566 would be negligible, assuming annual appropriation actions consistent with the agency's authorities.

Enacting H.R. 2566 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 2566 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 2566 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform (UMRA) and would not affect the budgets of state, local, or tribal governments.

The bill contains private-sector mandates as defined in UMRA. Specifically, the bill would require all intermediate providers of voice communications services to register with the FCC and to comply with service quality standards established by the agency. (Intermediate providers contract with other telecommunication providers to transmit voice calls from one destination to another.) The bill also would require telecommunications providers that contract with intermediate providers to use only those providers that are registered with the FCC. Lastly, if the FCC increases annual fee collections to offset the costs of implementing its additional regulatory activities, the bill would increase the cost of an existing mandate on commercial entities required to pay those fees. On the basis of information about current

industry and regulatory practices, CBO estimates that incremental cost to comply with the requirements of the bill would not be substantial. Further, any increase in fees would amount to no more than \$3 million over the 2017-2021 period. Therefore, CBO estimates that the aggregate cost of the mandates in the bill would probably fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation).

On September 16, 2016 CBO transmitted a cost estimate for S. 827, the Improving Rural Call Quality and Reliability Act of 2016, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on June 29, 2016. The two bills are similar and CBO's estimate of their budgetary effects is the same.

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Logan Smith (for private-sector mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.