



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 9, 2015

S. 2044

Consumer Review Freedom Act of 2015

*As reported by the Senate Committee on Commerce, Science, and Transportation
on November 18, 2015*

S. 2044 would void provisions of certain types of contracts that:

- Restrict the ability of a party to the contract from publishing a review or analysis of the performance of another party under the contract;
- Impose a penalty or fee for publishing such a review; and
- Transfer or require the transfer of any rights to the intellectual property of the person who created the review.

The bill would prohibit the use of contracts that contain those provisions and authorize the Federal Trade Commission (FTC) to enforce those new prohibitions. In addition, the FTC would be authorized to seek civil penalties for violations of the new prohibitions. Finally, S. 2044 would direct the FTC to develop an education and outreach program to provide businesses with best practices for complying with the new restrictions.

Based on information from the FTC, CBO estimates that the cost of implementing S. 2044 would not be significant because the agency is able to enforce similar prohibitions and provide compliance assistance under its existing general authorities. CBO estimates that enacting S. 2044 would increase federal revenues from the added authority to collect civil penalties; therefore, pay-as-you-go procedures apply. However, we expect those collections would be insignificant because of the small number of cases that the agency would probably pursue. Enacting the bill would not affect direct spending.

CBO estimates that enacting S. 2044 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

S. 2044 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.

Although the Federal Trade Commission has begun to enforce prohibitions on contract provisions similar to those outlined in the bill under its existing authorities, to the extent that such provisions are not currently considered void in all jurisdictions, the bill would impose a private-sector mandate as defined in UMRA on entities that use such provisions in their contracts. The cost of the mandate would be the value of forgone income from out-of-court settlements and compensation for damages the entities could be awarded under a breach of contract claim. However, reliable and comprehensive information concerning the number of businesses that continue to use contracts containing such provisions, the number of those that require monetary payment, and the level of any such payments is not available. In addition, although the court cases in which consumers have challenged these provisions have resulted in judgments in favor of the consumer, the limited sample of such cases cannot be used to generalize about the results of such cases in other jurisdictions. Therefore, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Logan Smith (for the impact on the private sector). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.