CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 4, 2003

H.R. 395
Do-Not-Call Implementation Act

As ordered reported by the House Committee on Energy and Commerce on January 29, 2003

SUMMARY

H.R. 395 would authorize the Federal Trade Commission (FTC) to collect and spend new fees during the 2003-2007 period for the purpose of creating a national "do-not-call" registry. The "do-not-call" registry is a list of consumers whom telemarketers would be prohibited from calling because the consumers do not wish to receive such calls.

Based on information from the FTC, CBO estimates that the agency would collect and spend a total of about $73 million in fees over the 2003-2008 period to implement H.R. 395, assuming appropriation of the necessary amounts. Over the six-year period, the total net effect on the federal budget would be insignificant. Enacting H.R. 395 would not affect direct spending or revenues.

H.R. 395 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. By authorizing the FTC to collect fees from telemarketing firms, H.R.395 would impose a private-sector mandate as defined by UMRA. CBO expects that the cost of that mandate would fall well below the annual threshold for the private sector established by UMRA ($117 million in 2003, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 395 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[a]						
Gross FTC Spending for the Do-Not-Call Registry						
Estimated Authorization Level	16	18	13	13	13	0
Estimated Outlays	3	26	16	13	13	2
Offsetting Collections from Telemarketers						
Estimated Authorization Level	-16	-18	-13	-13	-13	0
Estimated Outlays	-16	-18	-13	-13	-13	0
Net Changes to FTC Spending for the Do-Not-Call Registry						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	-13	8	3	0	0	2

a. A full-year appropriation for 2003 for the FTC has not yet been enacted. In 2002, the agency received a gross appropriation of $156 million.

BASIS OF ESTIMATE

H.R. 395 would authorize the FTC to collect fees sufficient to create and operate a "do-not-call" registry, contingent upon the approval of the fees in appropriation acts. For this estimate, CBO assumes that H.R. 395 and the necessary appropriation provisions will be enacted by the middle of this fiscal year. Based on information from the FTC, CBO expects that the agency would start collecting fees from telemarketers in 2003, in amounts equal to the full estimated cost of the registry.

The costs of operating the "do-not-call" registry would have four main components: purchasing new computer systems, designing and maintaining those systems, hiring personnel to manage the registry and investigate violations, and advertising the new system to consumers. Based on information from the FTC, CBO estimates that the initial costs of purchasing the computer system would amount to about $1 million in 2003, $8 million in 2004, and $4 million in 2005. We expect that these costs would decline to between $1 million and $2 million a year during the 2006-2008 period. CBO estimates that designing and maintaining these computer systems would cost about $45 million over the 2003-2008 period. Finally, staff salaries and advertising expenses would together amount to an estimated $2 million each year.

In sum, CBO estimates that the FTC would implement H.R. 395 by collecting and spending a total of about $73 million in fees over the 2003-2008 period, assuming the necessary appropriations action. Over the six-year period, CBO estimates that the total net effect of the bill on the federal budget would be insignificant.

If the FTC continued to operate the "do-not-call" registry beyond 2007, CBO estimates annual operating costs would be about $13 million a year, assuming appropriation of the necessary amounts. H.R. 395 would authorize the collection of fees to offset those costs through 2007.

ESTIMATED IMPACTS ON DIRECT SPENDING AND REVENUES: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 395 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The final rule that provides for a national "do-not-call" registry was published on January 29, 2003, in the Federal Register. Under that rule, telemarketing firms will be required to search the national registry at least four times a year and drop from their call lists the telephone numbers of consumers who have registered. The FTC anticipates that full compliance with the "do-not-call" provision will be required within a few months after funding has been approved.

In order to implement the national "do-not-call" registry, and subject to approval in appropriation acts, H.R. 395 would authorize the FTC to collect fees from telemarketing firms and certain businesses associated with those firms that sell goods and services. The duty to pay those fees would be considered a private-sector mandate under UMRA. Assuming the necessary appropriation action, CBO estimates that the fees would amount to no more than $18 million annually over the next five years. Consequently, the cost of the mandate would fall well below the annual threshold for private-sector mandates established by UMRA ($117 million in 2003, adjusted annually for inflation).

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