



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 11, 2002

H.R. 2341 **Class Action Fairness Act of 2002**

As ordered reported by the House Committee on the Judiciary on March 7, 2002

H.R. 2341 would expand the types of class-action lawsuits that would be heard initially in federal district courts. CBO estimates that implementing the bill would cost the federal district courts about \$6 million a year, subject to appropriation of the necessary funds. The bill would not affect direct spending or receipts, so pay-as-you-go procedures would not apply. H.R. 2341 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 2341 would impose a private-sector mandate by requiring that any notice concerning a proposed settlement of a class action provided to the class members through the mail or in printed media contain certain information in plain, easily understood language and in a specific format. The bill also would require certain notices provided through television or radio to explain specific information in plain, easily understood language. According to the Association of Trial Lawyers of America, such notices are currently provided, but are not always in plain English language and tabular format as required by the bill. Therefore, CBO estimates that the direct cost, if any, to comply with the mandates would be minimal and would fall well below the annual threshold established by UMRA (\$115 million in 2002, adjusted annually for inflation).

Under H.R. 2341, most class-action lawsuits would be heard in a federal district court rather than a state court. Therefore, CBO estimates that the bill would impose additional costs on the federal district court system. While the number of cases that would be filed in federal court under this bill is highly uncertain, CBO expects that at least a few hundred additional cases would be heard in federal court each year. According to the Administrative Office of the United States Courts, class-action lawsuits tried in federal court cost the government, on average, about \$20,000. This estimate includes discretionary costs for salaries and benefits for clerks, rent, utilities, and associated overhead expenses, but excludes the costs of the salaries and benefits of judges. CBO estimates that implementing H.R. 2341 would increase the courts' workload and result in additional costs of about \$6 million annually.

CBO also estimates that enacting this bill could increase the need for additional judges. Because the salaries and benefits of district court judges are considered mandatory, adding more judges would increase direct spending. However, H.R. 2341 would not—by itself—affect direct spending because separate legislation would be necessary to authorize an increase in the number of judges. In any event, CBO expects that enacting the bill would not require a significant increase in the number of federal judges, so that any potential increase in direct spending from subsequent legislation would probably be less than \$500,000 a year.

The CBO staff contacts for this estimate are Lanette J. Walker (for federal costs), and Paige Piper/Bach (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.