



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 7, 2010

H.R. 3993 **Calling Card Consumer Protection Act**

As ordered reported by the House Committee on Energy and Commerce on May 5, 2010

H.R. 3993 would establish new requirements for information that must be displayed on prepaid telephone calling cards, on their packaging, and in advertisements for the cards. The bill would require the Federal Trade Commission (FTC) to develop regulations within one year of enactment that would specify the information to be displayed, including the company name, the number of minutes available, the dollar amount of the card, and the expiration date. Within three years of enactment of H.R. 3993, the FTC and the Government Accountability Office would be required to report to the Congress on the results of studies on the business practices of the calling card industry and the effectiveness of the disclosures required by the bill.

Based on information from the FTC, CBO estimates that implementing the bill's requirements would cost about \$1 million over the 2011-2015 period, assuming appropriation of the necessary amounts, to cover the costs to write and enforce new regulations and prepare reports. Enacting H.R. 3993 would not affect direct spending or revenues; therefore, pay-as-you-go procedures would not apply.

H.R. 3993 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would preempt laws in at least four states that require disclosures to be printed on calling cards. The bill also would impose notification requirements and limitations on State Attorneys General, utility commissions, and consumer protection agencies. Because the limits on state authority would not require the expenditure of funds and because the notification requirements would result in minimal additional spending, CBO estimates that the costs of the mandates would be small and would not exceed the threshold established in UMRA (\$70 million in 2010, adjusted annually for inflation).

By requiring the providers of prepaid calling cards to disclose information about the provider and the terms and conditions of the service on each calling card, its packaging, and advertisements, the bill would impose a private-sector mandate as defined in UMRA. According to industry sources, most providers already adhere to the requirements in the bill as part of their standard business practice. Further, those sources indicate that the

incremental cost to providers that do not meet the standards in the bill would be small. Therefore, CBO estimates that the aggregate cost of the mandate would fall well below the annual threshold established in UMRA for private-sector mandates (\$141 million in 2010, adjusted annually for inflation).

The CBO staff contacts for this estimate are Susan Willie (for federal costs), Elizabeth Cove Delisle (for the state and local impact), and Sam Wice (for the private-sector impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.