CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 15, 1999

S. 692
Internet Gambling Prohibition Act of 1999

As reported by the Senate Committee on the Judiciary on June 17, 1999

SUMMARY

S. 692 would prohibit gambling conducted over the Internet or an interactive computer service. CBO estimates that implementing this legislation would not result in any significant cost to the federal government. Because enactment of S. 692 could affect direct spending and receipts, pay-as-you-go procedures would apply to the bill. However, CBO estimates that any impact on direct spending and receipts would not be significant.

S. 692 would impose new private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on operators of Internet sweepstakes and contests and on providers of Internet service. CBO expects that the costs of these mandates would be below the threshold established by that act ($100 million in 1996, adjusted for inflation). S. 692 also contains intergovernmental mandates as defined in UMRA; CBO's estimate of the costs of those intergovernmental mandates is detailed in a separate statement.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Because S. 692 would establish a new federal crime relating to gambling, the federal government would be able to pursue cases that it otherwise would not be able to prosecute. CBO expects, however, that the government would not pursue many additional cases. Therefore, we estimate that any increase in federal costs for law enforcement, court proceedings, or prison operations would not be significant. Any such additional costs would be subject to the availability of appropriated funds.

S. 692 would require the Department of Justice, not later than three years after enactment, to submit a report on the enforcement of the bill's provisions and on the extent of Internet gambling. CBO estimates that preparing and completing the report would cost less than $500,000, subject to the availability of appropriated funds.

Because those prosecuted and convicted under the bill could be subject to criminal fines, the federal government might collect additional fines if the bill is enacted. Collections of such fines are recorded in the budget as governmental receipts (i.e., revenues), which are deposited in the Crime Victims Fund and spent in subsequent years. Any additional collections are likely to be negligible because of the small number of cases involved. Because any increase in direct spending would equal the fines collected (with a lag of one year or more), the additional direct spending also would be negligible.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Enacting S. 692 could affect both direct spending and receipts, but CBO estimates that any such effects would be less than $500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 692 would impose intergovernmental mandates as defined in UMRA. CBO's analysis of those mandates is contained in a separate statement on intergovernmental mandates.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 692 would create new private-sector mandates, as defined in UMRA, for operators of Internet sweepstakes and contests and for providers of Internet service. CBO expects that the costs of these mandates would be below the threshold established by that act ($100 million in 1996, adjusted for inflation).

The definition of "bets or wagers" used in S. 692 would prohibit Internet contests, such as raffles, that award nontrivial prizes and require entry fees. CBO has been unable to obtain reliable information on the number of these contests or their revenues, but expects that the costs of this mandate would be small. The vast majority of contests advertised or conducted through the Internet are intended to generate publicity or advertise a product and do not require entry fees. S. 692 would expressly exempt contests for fantasy sports leagues.

S. 692 would allow law enforcement agencies to obtain court orders requiring Internet service providers (ISPs) to block customer access to specific foreign Internet gambling sites. The costs of this mandate would depend on the actions of law enforcement agencies. Based on information from the Department of Justice, CBO expects that the number of ISPs served with such orders would be low. Because the orders would require ISPs to block specific sites rather than all gambling sites, the cost per order would also be low. Consequently, CBO estimates that costs to ISPs would be small.

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