



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 10, 2004

S. 1529

Indian Gaming Regulatory Act Amendments of 2004

As ordered reported by the Senate Committee on Indian Affairs on July 14, 2004

S. 1529 would amend the Indian Gaming Regulatory Act (IGRA) to change the operations of the National Indian Gaming Commission (NIGC) and the regulation of gambling on Indian reservations. The legislation would increase the fees paid to the commission by tribal gambling operators; require the commission to prepare a strategic planning report; revise the salary schedules, procedures, and authorities of the commission; expand the use of background checks for personnel involved in tribal gambling; and require manufacturers and dealers of electronic gambling aids to register with the NIGC. The legislation also would impose new requirements on certain tribal and state compacts.

CBO estimates that implementing S. 1529 would cost \$10 million over the 2005-2009 period, assuming appropriation of the amounts authorized by the bill. In addition, S. 1529 would increase the current limitation (\$8 million) on the NIGC's annual assessment on Indian gambling operations. Because the NIGC has authority to spend such assessments without further appropriation, however, any increase in fee collections would not have a significant net impact on the federal budget.

S. 1529 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO cannot determine whether the total cost of these mandates would exceed the annual threshold established in that act (\$60 million in 2004, adjusted annually for inflation). The bill would impose new requirements for compacts between tribes and states, which must be approved by the Department of the Interior (DOI) before tribes can open casinos. CBO has no basis for estimating the impact of this mandate on state, local, and tribal governments. The bill also would place some additional administrative duties on tribes with gaming operations and would increase the fees they must pay to the NIGC, and CBO estimates that the cost of those mandates would be about \$5 million per year.

S. 1529 also contains private-sector mandates as defined in UMRA. The bill would impose private-sector mandates on individuals selling or leasing certain gambling devices to Indian casinos and on private-sector entities that operate those gambling devices under tribal management contracts. CBO estimates that the direct cost of mandates in the bill would fall well below the annual threshold established by UMRA for private-sector mandates (\$120 million in 2004, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1529 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, In Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2

a. Enacting this bill also would increase revenues and direct spending, however, CBO expects the net budgetary impact of these increases would be negligible in each year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2005, that the authorized amounts will be provided for each year, and that spending will follow historical patterns for the NIGC and its programs.

The bill would authorize the appropriation of \$2 million annually for the operations of the NIGC. There was no appropriation for the NIGC in fiscal year 2004. Appropriation of the authorized amounts would cost a total of \$10 million over the 2005-2009 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1529 contains several intergovernmental mandates as defined in UMRA. Because of uncertainty about the cost of one mandate affecting state and tribal gaming compacts, CBO cannot determine whether the total cost of these mandates exceeds the annual threshold established in that act (\$60 million in 2004, adjusted annually for inflation). We estimate that the total cost of other mandates in the bill would be about \$5 million per year.

State-Tribal Compacts

S. 1529 would add new requirements for compacts between states and tribes that govern gaming activities on tribal land. Such compacts must be approved by DOI before tribes can operate casinos. The new requirements would limit the extent to which tribal gaming revenues could be shared with affected state and local governments. This change would not affect existing compacts. Under current law, tribes and states are under a mandate to negotiate these compacts before tribes may operate casinos, and a change in the standards governing those compacts could alter the cost of that mandate. However, because of great uncertainty about how those changes would be interpreted and implemented by DOI and because of the complex nature of negotiations between states and tribes, CBO cannot estimate how the new requirements would affect either total revenues from tribal gaming or the distribution of those revenues between tribes and other governments.

NIGC Fees

IGRA currently imposes a mandate on tribes with gaming operations to pay fees to the NIGC. This bill would require NIGC to establish a new rate structure and would increase the annual cap on total fees. By increasing the cap, the bill would increase the cost of the mandate by about \$5 million a year over the next five years. The new fee schedule would result in a reallocation of the burden of this mandate among gaming tribes.

Other Administrative Mandates

S. 1529 would require tribes to conduct background investigations of tribal gaming commissioners and employees of tribal gaming commissions and to register with the NIGC if they use certain types of electronic gambling machines—both are mandates as defined by UMRA. Under current law, tribes must conduct background investigations of a large number of gaming officials and employees. Based on information provided from the NIGC, CBO estimates that the additional number of investigations required as a result of this bill would

be small. The cost of each investigation would be no more than \$50, so the cost of complying with the first mandate would not be significant. The registration requirement would primarily apply to electronic bingo machines. Based on information from the NIGC and the National Indian Gaming Association, CBO estimates that this mandate also would impose no significant costs on the tribes.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1529 contains private-sector mandates as defined in UMRA. The bill would require sellers, dealers, buyers, and lessors to register class II gambling devices with the National Indian Gaming Commission. Class II gambling devices include devices used to play games such as electronic bingo. The bill would impose mandates on individuals selling or leasing class II gambling devices to Indian casinos and on private-sector entities that enter into contracts with tribes to manage those casinos. CBO estimates that the direct cost of mandates in the bill would fall well below the annual threshold established by UMRA for private-sector mandates (\$120 million in 2004, adjusted annually for inflation).

S. 1529 would require sellers, dealers, buyers, and lessors of class II gambling devices to number and label the devices and maintain monthly records for the devices. The monthly records must include the number of the device, the manufacturer's legal and trade name, the date of manufacture, and, in the case of transfer, the name of the person to whom the device is transferred and the date of transfer. According to the NIGC, the gaming companies that currently provide class II gambling devices to Indian casinos already have the infrastructure necessary for this. Under current law, those companies are subject to similar registration requirements for class III gambling devices, and thus, the costs for registering the class II gambling devices are estimated to be minimal. Some gaming companies already may be registering class II devices.

Private-sector entities managing Indian casinos that operate class II devices also would be subject to the registration requirements of S. 1529. The cost for registration and recordkeeping for class II gambling devices is expected to be minimal for tribes that operate casinos. Since a smaller number of Indian casinos are run by private contractors, CBO expects that the cost of this mandate would be minimal for those entities, as well.

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