CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 7, 1998

S. 2238
Muhammad Ali Boxing Reform Act

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on October 1, 1998

SUMMARY

S. 2238 aims to protect professional boxers from unfair business practices of managers and promoters. The bill would stipulate that certain provisions be included in contracts between boxers, managers, and promoters; prohibit managers and promoters from having shared financial interests; and require the Federal Trade Commission (FTC) to provide information about organizations that sanction professional boxing matches. S. 2238 would allow the FTC to charge the sanctioning organizations fees to offset the costs of providing such information. The bill also would make violations of certain provisions of the Professional Boxing Safety Act of 1996 federal crimes.

Based on information from the FTC, CBO estimates that enacting S. 2238 would have no significant impact on the federal budget. Implementing the bill would require far less than $500,000 a year in additional discretionary spending during the 1999-2003 period. That increase would be at least partially offset by fees credited against appropriations for the agency, resulting in little or no net impact. S. 2238 would affect direct spending and receipts, so pay-as-you-go procedures would apply, but CBO estimates that those effects would also be less than $500,000 a year.

The bill contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA); however, CBO estimates that the cost of the mandate would not be significant and would not exceed the threshold established in the act ($50 million in 1996, adjusted annually for inflation).

S. 2238 would impose several private-sector mandates, as defined by UMRA, on promoters and sanctioning organizations of professional boxers. In general, the new mandates on promoters relate to contractual requirements and prohibitions aimed at protecting boxers from exploitation. The bill also would impose procedural requirements on sanctioning organizations. In total, CBO estimates that the costs of the private-sector mandates identified

in this bill would not exceed the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation) in any of the next five years.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Based on information from the FTC, CBO estimates that enacting S. 2238 would require new spending subject to appropriation of far less than $500,000 a year during the 1999-2003 period, and that such amounts would be at least partially offset by fee collections. Such collections are credited against appropriations for the FTC; therefore, the bill would have little or no net impact on discretionary spending in each year. The costs of this legislation fall within budget function 370 (commerce and housing credit).

Enacting S. 2238 could increase governmental receipts from the collection of criminal fines, but CBO estimates that any such increase would be less than $500,000 annually. Criminal fines are deposited in the Crime Victims Fund and are spent in the following year. Thus, any change in direct spending from the fund would also amount to less than $500,000 annually.

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. CBO estimates that any increases in governmental receipts and direct spending would each total less than $500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains an intergovernmental mandate as defined in UMRA because it would require state boxing commissions to establish procedures to ensure that no boxer is permitted to box while under suspension from any state due to unsportsmanlike conduct. Current law already requires state boxing commissions to have procedures in place to prevent boxers suspended for other reasons from boxing in their states. Therefore, CBO estimates that the additional cost to states to comply with this new requirement would not be significant.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 2238 would impose several private-sector mandates on promoters and sanctioning organizations of professional boxers. According to industry sources, world-wide revenues for the boxing industry are approximately $100 million annually. Thus, even if the new mandates would have a significant effect on the industry's revenues, the direct costs could not exceed the cost threshold for private-sector mandates ($100 million in 1996, adjusted annually for inflation).

Among the most significant requirements is the limitation, to a maximum of 12 months, of the right to promote a boxer if the boxer is required to grant promotional rights as a condition of participating in a professional boxing match against another boxer who is under contract to the promoter. Where applicable, this limitation could result in a loss of income to promoters. CBO cannot determine how frequently these conditions would apply, although clearly they would only apply to a portion of the industry.

This bill would also impose mandates on sanctioning organizations. According to representatives from such organizations, the costliest of those mandates would be the requirement to notify boxers and the Association of Boxing Commissions of any rating change of a boxer. Based on information from the International Boxing Federation, CBO estimates that the cost of notification would be less than $30,000 annually for each organization.

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