



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 16, 1997

H.R. 2265

No Electronic Theft (NET) Act

As ordered reported by the House Committee on the Judiciary on October 7, 1997

CBO estimates that enacting H.R. 2265 would not result in any significant net costs to the federal government. The bill would affect direct spending and receipts through the imposition of criminal fines and the resulting spending from the Crime Victims Fund. Therefore, pay-as-you-go procedures would apply. CBO estimates, however, that the amounts of additional direct spending and receipts would not be significant. H.R. 2265 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 and would not affect the budgets of state, local, or tribal governments.

H.R. 2265 would establish criminal fines and penalties for reproducing and distributing copyrighted works by electronic means even if the perpetrator does not benefit financially from the theft. Based on information from the Department of Justice (DOJ), CBO expects that enacting this bill would enable DOJ to prosecute several additional copyright infringement cases each year. Because DOJ may prosecute certain criminal cases that would not be tried under current law, enacting H.R. 2265 could result in additional costs for federal prosecutors and the federal court system, subject to the availability of appropriated funds. CBO, however, expects that any additional discretionary costs would not be significant.

Depending on whether DOJ wins a case, the fine assessed for each case could range from about \$25,000 to \$50,000 or more. Any collections from such fines are recorded on the budget as governmental receipts (revenues). They are deposited in the Crime Victims Fund and spent the following year. Because any increase in direct spending under H.R. 2265 would be the same as the amount collected with a one-year lag, the additional direct spending would be negligible.

H.R. 2265 also would extend from three years to five years the statute of limitations on criminal proceedings brought under the Copyright Act and would permit victims of copyright infringement to submit information on the damages caused by the infringement during the

sentencing phase of the infringer's trial. CBO estimates that these provisions would not have any budgetary impact.

The CBO staff contacts for this estimate are Rachel Forward (for federal costs), and Alyssa Trzeszkowski (for revenues). This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.