



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

October 15, 1999

**H.R. 1714**

**Electronic Signatures in Global and National Commerce Act**

*As ordered reported by the House Committee on the Judiciary on October 13, 1999*

**SUMMARY**

CBO estimates that H.R. 1714 would cost about \$2 million annually to implement, subject to the availability of appropriated funds. The bill would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The legislation does contain intergovernmental mandates as defined by the Unfunded Mandates Reform Act (UMRA), however we estimate that the cost of these mandates would not be significant. H.R. 1714 contains no new private-sector mandates as defined in UMRA.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

Title I would require federal agencies to identify laws and regulations that impose barriers to electronic commerce. The title would require the Office of Management and Budget and the Department of Commerce to submit a report within 18 months recommending legislation to remove barriers to electronic commerce and detailing actions by the federal government to remove such barriers through regulation. Under title I, the Federal Trade Commission and the Department of Commerce would submit a biennial report on the impact of electronic signatures on consumer protection laws and interstate transactions.

Title II would require the Department of Commerce to submit an annual report detailing foreign and domestic impediments to commerce in electronic signature products and services. This title also would direct the department to promote the international acceptance and use of electronic signatures, and to submit a report within three years after enactment regarding actions by states to allow electronic signatures in commerce. Finally, title III would amend the Securities and Exchange Act of 1934 to allow the use of electronic signatures under federal securities law.

Based on information from the Department of Commerce, the Federal Trade Commission, and the Securities and Exchange Commission, CBO estimates that implementing the bill would cost about \$2 million a year, subject to the availability of appropriated funds.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 1714 would preempt state laws in two ways, both of which would constitute intergovernmental mandates as defined by the Unfunded Mandates Reform Act (UMRA). However, CBO estimates that the costs of these preemptions would not be significant and would not exceed the threshold established by the act (\$50 million in 1996, adjusted annually for inflation). The bill contains no new private-sector mandates as defined in UMRA.

The bill would preempt state laws that regulate interstate commercial transactions conducted via electronic means (such as contracts with electronic signatures), unless states enact a uniform standard specified in the bill. As defined by the bill, the term “transaction” would specifically exempt any contract to which a governmental entity is a party. As a result, CBO estimates that this preemption would not significantly affect the budgets of state, local, or tribal governments.

The bill would also preempt state securities laws that regulate the signature and storage of contracts to allow the use of electronic records and signatures. Based on information from the Securities and Exchange Commission and groups representing state governments, CBO estimates that this preemption would not impose significant costs on state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATES**

On August 20, 1999, CBO transmitted a cost estimate for H.R. 1714, as ordered reported by the House Committee on Commerce on August 5, 1999. On June 30, 1999, CBO transmitted a cost estimate for S. 761, the Third Millennium Digital Commerce Act, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on June 23, 1999. CBO estimated that implementing H.R. 1714 would cost about \$1 million a year and S. 761 would cost about \$500,000 a year. The difference in these cost estimates are due to the difference in the scope and length of the studies required under the bills.

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