CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 9, 2001

S. 718
Amateur Sports Integrity Act

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 3, 2001

SUMMARY

S. 718 would authorize the National Institute of Standards and Technology (NIST) to make grants for research on performance-enhancing substances and methods for detecting their use by athletes. The bill also would authorize NIST to fund prevention and intervention programs related to the use of such substances by high school or college athletes. In addition, S. 718 would prohibit gambling businesses from accepting credit cards and other bank instruments from gamblers who illegally bet over the Internet. The bill also would authorize the agencies that regulate insured depository institutions to issue cease-and-desist orders against institutions that knowingly facilitate Internet gambling.

Assuming appropriation of the authorized amounts, CBO estimates that implementing S. 718 would cost about $25 million over the 2002-2006 period. Because S. 718 would impose costs on federal banking regulators, we also estimate that the bill would have a negligible impact on both direct spending and revenues. Therefore, pay-as-you-go procedures would apply.

S. 718 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would prohibit any governmental or private-sector entity from operating or authorizing any wagering on amateur sports and also would require colleges to compile and report gambling information and policies in a specified manner. CBO estimates that the costs associated with complying with the mandates would not exceed the thresholds established by the act ($56 million for intergovernmental mandates and $113 million for private-sector mandates in 2001, adjusted annually for inflation). S. 718 also would require public and private institutions of higher education, effectively as a condition of receiving federal education funding for the following year, to monitor their wire communications facilities for use in illegal gambling. Finally, the bill would establish research grant programs that could benefit public and private educational institutions.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 718 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	7	7	7	7	7
Estimated Outlays	1	4	6	7	7

NOTE: The bill would also result in an increase in direct spending and a loss of revenues, but the amounts involved would be less than $500,00 a year.

BASIS OF ESTIMATE

Assuming appropriation of the authorized amounts, CBO estimates that enactment of S. 718 would result in a $25 million increase in discretionary spending over the 2002-2006 period and would have a negligible impact on direct spending and revenues. For this estimate, CBO assumes that the bill will be enacted late in fiscal year 2001.

Spending Subject to Appropriation

S. 718 would authorize the appropriation of $7 million a year over the 2002-2006 period for NIST to make grants for research on the use of performance-enhancing drugs and for program to prevent the use of such drugs by amateur athletes. For this estimate, CBO assumes that outlays will follow the spending patterns of other NIST grant programs.

Because S. 718 would establish a new federal crime relating to Internet gambling, the federal government would be able to pursue cases that it otherwise would not be able to prosecute. CBO expects, however, that most cases would be pursued under state law. 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.

Direct Spending and Revenues

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA) would enforce the provisions of S. 718 as they apply to financial institutions. The NCUA, the OTS, and the OCC charge fees to the institutions they regulate to cover all of their administrative costs; therefore, any additional spending by these agencies to implement the bill would have no net budgetary effect. That is not the case with the FDIC, however, which uses insurance premiums paid by all banks to cover the expenses it incurs to supervise state-chartered banks. The bill's requirement that the FDIC prevent financial institutions from knowingly facilitating Internet gambling would cause a small increase in FDIC spending, but would not affect its premium income. In total, CBO estimates that S. 718 would increase net direct spending of the NCUA, OTS, OCC, and FDIC by less than $500,000 a year over the 2002-2006 period.

Budgetary effects on the Federal Reserve are recorded as changes in revenues (governmental receipts). Based on information from the Federal Reserve, CBO estimates that enacting S. 718 would reduce such revenues by less than $500,000 a year over the 2002-2006 period.

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 under S. 718 are likely to be negligible because of the small number of cases involved. Because any increase in direct spending would equal the amount of 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. 718 could affect both direct spending and receipts, but CBO estimates that any such effects would be negligible.

INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT

Mandates

S. 718 contains intergovernmental and private-sector mandates as defined by UMRA, but CBO estimates that complying with those mandates would not exceed the thresholds established in the act ($56 million for intergovernmental mandates and $113 million for private-sector mandates in 2001, adjusted annually for inflation). CBO estimates that the prohibition on wagering on amateur sports would reduce tax revenues collected by the state of Nevada by approximately $3 million per year. Based on information from the Nevada Gaming Control Board, CBO estimates that because of this prohibition the private sector would lose about $45 million annually in net income (measured as the amount wagered less the amount paid out). In addition, CBO estimates that the requirement that colleges report certain gambling information and policies would increase costs to public and private colleges and universities. The amount of any increase is uncertain, but it is expected to be small because the colleges are already required to compile similar information on crime and policies on substance use.

Other Impacts

S. 718 would require public and private institutions of higher education, effectively as a condition of receiving federal education funding for the following year, to monitor their wire communications facilities for the purpose of detecting their use in illegal gambling. CBO cannot estimate the total costs associated with this condition because it is unclear what activities would be necessary to comply with the bill's requirement to "monitor" wire communication facilities.

S. 718 would also benefit any public and private educational institutions that qualify for the grant programs that would be established by the bill. The bill would authorize $4 million annually for fiscal years 2002 through 2006 for drug research and detection grants and $3 million annually for fiscal years 2002 through 2006 for intervention and prevention grants.

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