



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

September 29, 2008

**H.R. 6870  
Payments System Protection Act of 2008**

*As ordered reported by the House Committee on Financial Services  
on September 16, 2008*

**SUMMARY**

H.R. 6870 would amend existing law regarding federal regulation of Internet gambling. It would suspend certain restrictions on such activities until the Department of the Treasury and the Board of Governors of the Federal Reserve develop new regulations based on the terms and conditions outlined in the bill. H.R. 6870 would add a statutory definition of "unlawful Internet sports gambling," require the regulators to define "unlawful Internet gambling," and direct the department to publish lists of businesses engaged in such unlawful activities. Implementation and enforcement efforts for the final regulations would be based on those lists and on a study of the economic impact of the proposed guidelines and public hearings.

Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost \$227 million over the next five years, primarily because of the costs associated with publishing lists of businesses engaged in unlawful Internet gambling activities. Enacting H.R. 6870 would affect revenues because of the provisions affecting the Federal Reserve, but CBO estimates that such impacts would not be significant. Enacting this bill would not affect direct spending.

H.R. 6870 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 6870 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					2009- 2013
	2009	2010	2011	2012	2013	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Estimated Authorization Level	135	30	31	31	32	259
Estimated Outlays	27	87	51	31	31	227

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that the legislation will be enacted near the beginning of fiscal year 2009 and that the necessary amounts will be appropriated each year.

### **Spending Subject to Appropriation**

CBO expects that implementing H.R. 6870 would significantly increase the workload of the Department of the Treasury, which currently has fewer than 10 full-time staff dedicated to regulating Internet gambling. Developing lists of businesses engaged in unlawful Internet gambling that would withstand regulatory scrutiny would involve screening hundreds of thousands of Web sites, examining targeted Web sites in detail, coordinating with state and foreign governments, and monitoring changes in the Web sites included on the lists. Little is known about the number, location, or complexity of Internet gambling sites, and the department expects that extensive data collection efforts would be necessary to comply with the bill.

For this estimate, CBO assumes that the department would acquire computer software to identify Internet gambling Web sites and conduct comprehensive reviews of at least 2,000 businesses. Based on information from the department, CBO estimates that preparing the lists would require an initial appropriation of about \$130 million and that maintaining them would cost about \$30 million a year. Costs could be higher if additional businesses required an in-depth examination, with all costs subject to appropriation of the necessary amounts.

H.R. 6870 also would direct the department to conduct special studies and hearings on proposed regulations related to Internet gambling. Based on information from the department, CBO estimates that those activities would cost about \$5 million in 2009.

## **Revenues**

Under H.R. 6870, the Board of Governors of the Federal Reserve would participate in the development of the revised regulations governing unlawful Internet gambling activities. Based on information from the Federal Reserve, those activities would have no significant effect on its workload or budget. The budgetary effects of the Federal Reserve are recorded as a change in revenues (governmental receipts). Thus, CBO estimates that enacting this bill would have a negligible effect on revenues over the 2009-2018 period.

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

H.R. 6870 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

### **ESTIMATE PREPARED BY:**

Federal Costs: Kathleen Gramp

Impact on State, Local, and Tribal Governments: Elizabeth Cove

Impact on the Private Sector: Paige Piper/Bach (226-2940)

### **ESTIMATE APPROVED BY:**

Peter H. Fontaine

Assistant Director for Budget Analysis