



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 8, 2008

H.R. 4040 Consumer Product Safety Improvement Act of 2008

As cleared by the Congress on July 31, 2008

SUMMARY

H.R. 4040 authorizes the appropriation of funds to the Consumer Product Safety Commission (CPSC), for fiscal years 2010 through 2014, for the purpose of implementing an array of consumer protection laws, including the Consumer Product Safety Act. Among its other provisions, the act would reduce the permissible levels of lead found in children’s products, require third-party testing of certain types of children’s products, establish a publicly available and searchable database on the safety of consumer products, provide whistleblower protection for industry employees, and increase the maximum civil penalty for the violation of consumer product safety standards.

The Congressional Budget Office estimates that enacting the legislation would increase federal revenues from civil penalties by \$43 million over the 2009-2018 period. CBO estimates the act would not affect direct spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated impact of H.R. 4040 on federal revenues is shown in the following table.

	By Fiscal Year, in Millions of Dollars											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008-2013	2008-2018
CHANGES IN REVENUES												
Estimated Revenues	0	2	3	3	4	4	5	6	7	8	12	43

Source: Congressional Budget Office.

BASIS OF ESTIMATE

H.R. 4040 would increase the maximum civil penalty for violations of consumer product safety standards and applicable rules under the Consumer Product Safety Act. CBO estimates that by raising the maximum penalty, the bill would increase revenues by \$12 million over the 2009-2013 period and \$43 million over the 2009-2018 period.

Those safety standards, which are enforced by CPSC, have stipulated that any person who knowingly manufactures or sells products that fail to comply with such standards faces civil penalties up to \$1.825 million for each violation in 2007. The act would increase the maximum penalty to \$15 million for each violation.

Since 2001, civil penalties assessed by CPSC have averaged \$4.9 million annually. The average penalty collected during that time was \$470,000, or about 25 percent of the maximum amounts. About 20 percent of the penalties exceeded \$1 million.

Based on an analysis of historical assessments, CBO expects that a small number of cases would be directly affected by the higher maximum penalty. Specifically, only a few fines per year were assessed at more than 50 percent of the maximum amount. However, the fines collected over the past several years may have been constrained by the current-law limit. CBO expects that increasing the cap would change the dynamics of litigating and settling large cases and estimates that the average penalty for larger cases would eventually double, while the average penalty for smaller cases would be about 20 percent higher.

ESTIMATE PREPARED BY: Pamela Greene

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis