



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 8, 2010

H.R. 4805 **Formaldehyde Standards for Composite Wood Products Act**

*As ordered reported by the House Committee on Energy and Commerce
on May 26, 2010*

H.R. 4805 would establish emission standards for hardwood plywood, medium-density fiberboard, and particle board that is sold, supplied, offered for sale, or manufactured in the United States. The bill would prescribe several exemptions. Under this legislation, the Environmental Protection Agency (EPA) would be required to issue regulations to implement the standards no later than January 1, 2013, and revise regulations relating to the importation of products covered under this legislation no later than July 1, 2013. EPA also would be required to provide annual reports to the Congress through 2014 on the status of implementing the standard. Finally, within 180 days of regulations being finalized, the Secretary of Housing and Urban Development would be required to update regulations relating to formaldehyde emission levels of products installed in manufactured homes.

CBO estimates that implementing this legislation would cost about \$3 million over the 2011-2013 period, assuming availability of appropriated funds, to issue regulations and prepare reports.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 4805 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Requiring manufacturers, sellers, suppliers and importers of composite wood products to meet a national standard for formaldehyde emissions would constitute a private-sector mandate as defined in UMRA. According to information from the industry, a significant portion of the industry would already be in compliance with the standard because of actions taken to comply with the standard for formaldehyde emissions established by the California Air Resources Board (CARB) and currently being phased in by the state of California. At the same time, industry sources indicate that the cost to comply with a

national standard would significantly exceed the cost of the state standard, which CARB estimated would exceed \$100 million. Because of uncertainty about the extent to which entities would already be in compliance with the requirements in the bill, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$141 million in 2010, adjusted annually for inflation).

On January 7, 2010, CBO transmitted a cost estimate for S. 1660, the Formaldehyde Standards for Composite Wood Products Act, as ordered reported by the Senate Committee on Environment and Public Works on December 10, 2009. Both S. 1660 and this legislation would impose the same emission standard on composite wood products. Though deadlines for certain actions differ between the two bills, estimated costs over the next five years for both estimates are the same.

The CBO staff contacts for this estimate are Susanne S. Mehlman (for federal costs) and Amy Petz (for the impact on the private-sector). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.