



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 9, 2007

H.R. 2474
Product Safety Civil Penalties Improvement Act
*As ordered reported by the House Committee on Energy and Commerce
on September 27, 2007*

H.R. 2474 would provide for an increased maximum civil penalty to up to \$10 million for violations of safety standards and applicable rules under the Consumer Product Safety Act (CPSA).

CBO estimates that the bill, by raising the maximum penalty, would increase revenues by \$13 million over the 2008-2012 period and by \$44 million over the 2008-2017 period. CBO estimates that the bill would not affect direct spending.

H.R. 2474 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

	By Fiscal Year, in Millions of Dollars											2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017	
Estimated Revenues	0	2	3	4	4	4	5	6	7	9	13	44	

Current law stipulates that any person who knowingly manufactures or sells products that fail to comply with safety standards of rules set under the CPSA faces up to \$1.825 million in civil penalties for each violation in 2007. H.R. 2474 would increase the maximum penalty per violation to \$5 million within one year after enactment and to \$10 million by two years after enactment. (The maximum amount would be adjusted every five years by the consumer price index as under current law.)

Since 2001, civil penalties assessed by the Consumer Product Safety Commission (CPSC) have averaged \$4.7 million annually. The average penalty was about \$525,000, or less than 30 percent of the maximum amounts. About 25 percent of the penalties exceeded \$1 million.

Based on an analysis of the historical assessments, this estimate assumes a small number of cases would be substantially affected by the higher maximum penalty. Specifically, only a few fines per year were assessed at more than 50 percent of the maximum penalty amounts. However, the fines may have been constrained by the current-law limit. Most of the cases are settled for much less than the maximum fine. CBO expects that increasing the cap would change the dynamics of settling and litigating the large cases and estimates that in these cases the average penalty would be double the current penalty within ten years. CBO assumes that the penalties would not immediately ramp up to near the maximum level, however, as it would take several years for firms and the CPSC to adjust their expectations about an acceptable fine. For smaller cases, CBO estimates that the average penalty would be about 20 percent higher. This estimate also assumes that the CPSC would handle a few large cases each year, although in practice the number of blockbuster cases could vary significantly from year to year.

The CBO staff contact for this estimate is Pamela Greene. This estimate was approved by G. Thomas Woodward, Assistant Director for Tax Analysis.