CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 15, 1999

H.R. 975

A bill to provide for a reduction in the volume of steel imports, and to establish a steel import notification and monitoring program

As ordered reported by the House Committee on Ways and Means on March 10, 1999

SUMMARY

H.R. 975 would temporarily set a limit on imports of steel and steel products into the United States and would establish a steel import notification and monitoring program. CBO estimates that this bill would reduce governmental receipts by $43 million between 2000 and 2002. CBO also estimates that implementing the bill would increase discretionary spending by $2 million in 2000 and by less than $500,000 a year thereafter, assuming appropriation of the necessary amounts. Because enacting H.R. 975 would affect receipts, pay-as-you-go procedures would apply.

H.R. 975 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. The bill would impose new private-sector mandates on importers of steel products. Based on information provided by government and industry sources, CBO estimates that the direct costs of the new private-sector mandates would exceed the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation) in fiscal years 2000 through 2002.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 975 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					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated Revenues	a	-21	-16	-6	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	2	a	a	a	a
Estimated Outlays	0	2	a	a	a	a

a. Less than $500,000.

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes that H.R. 975 will be enacted by July 1, 1999, and implemented on September 1, 1999.

Revenues

Section 1 of H.R. 975 would charge the President to take necessary steps to limit the volume of steel products imported into the United States during the three-year period starting 60 days after enactment. Imports could not exceed the average volume of steel products imported into the United States during the 36-month period preceding July 1997. Categories of steel products covered by H.R. 975 include semi-finished steel plates, sheets and strips, wire rods, wire and wire products, rail-type products, bars, structural shapes and units, pipes and tubes, iron ore, and coke products. This estimate assumes that import quotas are imposed, but the projected revenue loss would be the same if the President negotiated voluntary export restraint agreements. CBO estimates that H.R. 975 would reduce revenues by less than $500,000 in fiscal year 1999, and by $43 million over the 1999 through 2004 period.

CBO estimated the bill's impact on revenue based on recent steel import forecasts in Standard and Poor's Fourth Quarter 1998 "Steel Industry Review" and WEFA's February 1999 "Steel Industry Outlook." Steel import projections from these forecasts were adjusted to match the overall import projections in CBO's January 1999 forecast. The forecast assumes that imports will fall from the 1998 level because of lower projected domestic demand, unusually high domestic inventories, lower projected domestic prices, and the effect of recent trade cases brought against U.S. importers of steel. Under current law, CBO projects steel imports to be 32 million short tons in 2000 and 30 million short tons in 2001. CBO projected the consumption value of steel imports using census historical data on the consumption value of steel and Standard and Poor's forecast of changes in steel import prices. Revenue losses were estimated by applying a trade-weighted duty rate adjusted for tariff reductions scheduled by the World Trade Organization (WTO).

Spending Subject to Appropriation

Section 2 would require importers of steel mill products to obtain a certificate from the Department of Commerce before such products are shipped. The Department of Commerce would collect trade data from steel importers and provide the data to the public through an Internet Web site. Information from the Department of Commerce and experience with similar programs suggest that most of the costs would be for developing the certificate system and Web site, with negligible amounts for maintaining the system. Subject to appropriation of the necessary amounts, CBO estimates that implementing section 2 would cost about $2 million in 2000 and less than $500,000 in each subsequent year. In addition, H.R. 975 would allow the Department of Commerce to impose fees that may offset some or all of the costs associated with this section. The amounts collected are not likely to be significant.

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. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	Not applicable										
Changes in receipts	0	-21	-16	-6	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 975 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 975 would impose new private-sector mandates on importers of steel products. Based on information provided by government and industry sources, CBO estimates that the direct costs of the new private-sector mandates would exceed the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation) in fiscal years 2000 through 2002.

H.R. 975 would effectively prohibit imports of certain steel products in excess of the average volume of steel products that was imported monthly into the United States during the 36-month period preceding July 1997. Such a quota would reduce the availability of imported steel and raise prices faced by U.S. importers of steel. Just how much prices will rise is uncertain, but based on published estimates of demand elasticities for steel products, CBO estimates the increased cost to importers would be nearly $400 million in 2000, $340 million in 2001, and $150 million in 2002.

H.R. 975 also would require importers of certain products to apply for and obtain a steel import notification certificate from the Department of Commerce. Although the Secretary of Commerce would have the authority to charge a fee for issuing a certificate, the Department of Commerce was unable to provide CBO with any information on the establishment of such a fee. If a reasonable fee were established, CBO estimates that the direct cost to importers to obtain a certificate would be about $500,000 annually.

H.R. 975 would likely yield benefits and impose other costs on the private sector. If domestic steel prices rise, H.R. 975 would benefit U.S. steel producers and impose costs on U.S. consumers of steel. By increasing the gap between the domestic and world price of steel, the bill could result in an increase in imports of finished products from foreign countries and place some U.S. products at a competitive disadvantage in foreign markets.

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