



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 30, 2006

H.R. 3509

Workplace Goods Job Growth and Competitiveness Act of 2005

As ordered reported by the House Committee on the Judiciary on July 19, 2006

SUMMARY

H.R. 3509 would limit the length of time manufacturers and sellers of durable goods would be liable for injury and damages resulting from the use of their products. Because only a handful of these cases are filed in the federal courts, CBO estimates that enacting this bill would have no significant impact on the federal budget. Enacting the bill would not affect direct spending or revenues.

H.R. 3509 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt certain state liability laws. CBO estimates that the preemption would impose no costs on state, local, or tribal governments; therefore, the annual threshold established in UMRA would not be exceeded (\$64 million in 2006, adjusted annually for inflation).

H.R. 3509 contains a private-sector mandate, as defined in UMRA, because it would prohibit certain property damage and personal injury lawsuits against manufacturers and sellers of durable goods. CBO estimates that the direct cost of complying with the mandate would fall below the annual threshold established by UMRA (\$128 for private-sector mandates in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Under current law, there is no uniform federal law establishing a statute of repose (the length of time after which a manufacturer is no longer liable) for durable goods, although at least 20 states have set such liability limits. H.R. 3509 would set the statute of repose for durable goods at 12 years past the first point of delivery. Under the bill, the statute would only apply in cases of death and personal injury where the claimant is not covered by worker compensation. It would not apply in cases where a manufacturer or seller fraudulently

concealed a defect in a durable good, or where a written warranty had guaranteed the safety or life expectancy of the product beyond 12 years.

While some product liability cases are tried in federal court, the majority of those that could be covered under this bill are handled in state courts. CBO estimates that enacting H.R. 3509 would have no significant impact on the number of cases that would be referred to federal courts and, thus, would have no significant impact on the federal budget.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 3509 would establish that, in certain circumstances, a civil action may not be filed in any court after 12 years against the manufacturer or seller of certain durable goods. That provision would constitute a mandate as defined by UMRA because it would preempt state laws that have established different time periods for filing these types of civil suits. CBO estimates that this preemption would impose no costs on state, local, or tribal governments; therefore, the annual threshold established in UMRA would not be exceeded (\$64 million in 2006, adjusted annually for inflation).

Creating a federal standard of liability in these cases may affect the ability of state, local, and tribal governments to recoup payments made for worker's compensation benefits from private individuals who file such suits. CBO expects any changes in those collections that result from this bill's enactment would be small.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 3509 would impose a private-sector mandate by prohibiting certain property damage and personal injury lawsuits against manufacturers and sellers of durable goods as defined in the bill. Generally, the bill would prevent firms and individuals from recovering damages in cases where the accident involving a durable good occurred more than 12 years after that good was delivered to its first purchaser or lessee. The mandate would not affect existing claims or claims filed within one year of enactment. The bill also would provide exceptions to the prohibition for claims involving certain passenger vehicles and general aviation aircraft and claims involving manufacturer warranties.

The cost of the mandate for an affected firm or individual would be the forgone net value of awards and settlements they would otherwise receive under current law. Based on information from industry sources regarding such awards and settlements, CBO estimates that the direct cost of complying with the mandate would fall below the annual threshold established by UMRA (\$128 for private-sector mandates in 2006, adjusted annually for inflation).

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