



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 9, 2010

### **H.R. 4678** **Foreign Manufacturers Legal Accountability Act of 2010**

*As ordered reported by the House Committee on Energy and Commerce on July 21, 2010*

H.R. 4678 would require certain foreign manufacturers to register an agent in the United States that would be authorized to accept notice of a regulatory proceeding or civil action. The bill also would require those foreign manufacturers and producers to report any voluntary or mandatory recalls or other safety campaigns involving affected products to the appropriate regulatory agency.

Several agencies, including the Food and Drug Administration (FDA), the Consumer Product Safety Commission, the Environmental Protection Agency, and the National Highway Traffic Safety Administration, would be required to develop regulations to carry out the new requirements. For example, the FDA would be responsible for implementing the registration and reporting requirements relating to imported drugs.

Further, the bill would prohibit foreign goods from being imported if the affected manufacturer fails to designate such an agent. We assume that the Customs and Border Patrol (CBP), in coordination with the other affected agencies, would be primarily responsible for enforcing those new prohibitions.

The bill also would require the International Trade Administration to develop a registry of agents that would be made available to the public and would require agencies to prepare various reports for the Congress related to the registration of agents for foreign manufacturers and other topics related to imported goods.

#### **Impact on the Federal Budget**

Based on information from the affected agencies, CBO estimates that implementing H.R. 4678 would cost about \$170 million over the 2011-2015 period, assuming appropriation of the necessary amounts, to develop and enforce the new regulations, to create the registry of agents, and to prepare reports. CBO expects that most of those costs would be incurred by CBP and FDA for administration and enforcement activities.

Enacting H.R. 4678 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

## **Intergovernmental and Private-Sector Impact**

H.R. 4678 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.

H.R. 4678 would impose private-sector mandates as defined in UMRA by requiring manufacturers in the United States with foreign locations or subsidiaries to register agents in the United States and to report on any safety campaigns resulting from the recall of products covered by the legislation. Based on information from industry sources about the cost of hiring or appointing registered agents and on the small incremental difference between current safety standards for consumer products and the legislation's requirement, CBO estimates that the cost to comply with those mandates would not be significant.

The bill also would impose a private-sector mandate on importers and manufacturers by prohibiting them from importing certain products or components if those imports come from a foreign manufacturer that does not have a registered agent in the United States. Currently, industry standards do not require manufacturers to know the origin of imported components or parts used to manufacture most goods. The cost of the mandate would include the cost of tracking the origin of imports and their components and any net loss in income resulting from purchasing imports from foreign manufacturers that comply with the bill. Based on information from industry experts on the cost of obtaining that additional information and on the number of manufacturers that would be affected, CBO estimates that the cost of this mandate would probably be substantial.

In total, CBO estimates that the cost of complying with the mandates in the bill would probably exceed the annual threshold for private-sector mandates established in UMRA (\$141 million in 2010, adjusted annually for inflation).

### **CBO Staff Contacts**

The staff contacts for this estimate are Susan Willie (for federal costs), and Marin Randall, Jimmy Jim, and Samuel Wice (for the private-sector impact). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.