



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 17, 2014

S. 429 **Concrete Masonry Products Research, Education, and Promotion** **Act of 2013**

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on April 9, 2014*

SUMMARY

S. 429 would establish the Concrete Masonry Products Board (Board), upon approval of a referendum by producers of masonry products made from concrete (CMP). The Board would develop research and education programs as well as efforts to promote CMP in domestic and foreign markets. Funding for those activities would be derived from assessments on CMP manufacturers based on the number of masonry units sold each year. The bill would direct the Secretary of Commerce to organize and hold the referendum; the agency's costs would be reimbursed by the Board from initial collections of assessments.

CBO estimates that enacting S. 429 would increase direct spending by \$141 million and increase net revenues by \$108 million over the 2015-2024 period, yielding a net increase in the deficit of \$33 million over the 10-year period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO estimates that implementing S. 429 would have an insignificant effect on discretionary spending over the 2015-2019 period.

S. 429 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.

S. 429 would impose private-sector mandates on manufacturers of CMP. Based on information from industry experts, CBO estimates that the annual cost of the mandates would fall well below the threshold established in UMRA for private-sector mandates (\$152 million in 2014, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 429 are 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 | | | | | | | | | | 2015- | 2015- |
|---|--|------|------|------|------|------|------|------|------|------|-------|-------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2019 | 2024 |
| CHANGES IN DIRECT SPENDING | | | | | | | | | | | | |
| Estimated Budget Authority | 4 | 14 | 15 | 15 | 15 | 16 | 16 | 16 | 17 | 17 | 63 | 145 |
| Estimated Outlays | 2 | 12 | 16 | 15 | 15 | 16 | 16 | 16 | 17 | 17 | 59 | 141 |
| CHANGES IN REVENUES | | | | | | | | | | | | |
| Estimated Revenues | 3 | 10 | 11 | 11 | 11 | 12 | 12 | 12 | 13 | 13 | 46 | 108 |
| NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES | | | | | | | | | | | | |
| Impact on Deficit | -1 | 2 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 13 | 33 |

Notes: Components may not sum to totals because of rounding.

CBO estimates that implementing S. 429 would have an insignificant effect on discretionary spending.

BASIS OF ESTIMATE

CBO believes the Board established by S. 429 should be considered governmental in nature and all of its activities should be included in the federal budget. While formation of the Board would be voluntary, once it was created, the requirement to pay assessments would be compulsory, enforced by the federal government's sovereign authority.

Based on information from industry experts, CBO assumes that the referendum would be approved by the industry and that the Board and supporting staff would be appointed during 2015. We expect that collections of assessments would begin before the end of fiscal year 2015; the bill would require quarterly remittance of amounts due.

Revenues

S. 429 would authorize the Board to levy an assessment of one cent on each concrete block product sold by all CMP manufacturers in the United States. Based on information from industry experts and historical sales information, CBO expects about 1.4 billion concrete blocks and pavers will be sold in 2015 with similar sales in subsequent years, yielding, on average, estimated collections of \$14 million per year. Those amounts would be recorded in the budget as revenues, because payment of the assessments would be compulsory, enforced by the federal government's sovereign authority. CBO estimates that enacting S. 429 would increase gross revenues by \$145 million over the 2015-2024 period.

Because excise taxes and other indirect business taxes (such as assessments by the Board) reduce the base of income and payroll taxes, higher amounts of those indirect business taxes would lead to reductions in revenues from income and payroll taxes. As a result, gross assessments would be partially offset by a loss of receipts of about 25 percent each year. Thus, CBO estimates that enacting S. 429 would increase net revenues by \$108 million over the 2015-2024 period.

Direct Spending

S. 429 would authorize the Board to spend amounts collected, without further appropriation, on research and education efforts as well as programs to promote sales of CMP. The bill also would authorize the Board to borrow funds to cover the Board's start-up expenses and to invest collections in interest-bearing securities, thereby generating additional funding for its activities. Expenditures of assessments and interest would be considered direct spending. Based on historical patterns for similar activities, CBO estimates that expenditures by the proposed Board would total about \$141 million over the 2015-2024 period.

Spending Subject to Appropriation

S. 429 would direct the Secretary of Commerce to develop an order to establish the Board and set out its authorities, and to conduct a referendum among eligible CMP manufacturers to approve the order. After passage of the referendum, the Secretary would be responsible for approving the Board's programs and budgets each year.

CBO estimates that implementing those provisions would cost less than \$500,000 over the 2015-2019 period, assuming the availability of appropriated funds. Under the bill, the Board would be required to reimburse the Secretary for all expenses incurred to implement and oversee the order; CBO expects that those reimbursements would be recorded as offsets to discretionary spending by the Secretary. Therefore, CBO estimates that implementing S. 429 would have a negligible net effect on spending subject to appropriation.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 429, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on April 9, 2014

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | 2014- 2019 | 2014- 2024 |
|--|--|------|------|------|------|------|------|------|------|------|------|----|---------------|---------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | | |
| NET INCREASE OR DECREASE (-) IN THE DEFICIT | | | | | | | | | | | | | | |
| Statutory Pay-As-You-Go Impact | 0 | -1 | 2 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 13 | 33 | |
| Memorandum: | | | | | | | | | | | | | | |
| Changes in Outlays | 0 | 2 | 12 | 16 | 15 | 15 | 16 | 16 | 16 | 17 | 17 | 59 | 141 | |
| Changes in Revenues | 0 | 3 | 10 | 11 | 11 | 11 | 12 | 12 | 12 | 13 | 13 | 46 | 108 | |

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 429 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

S. 429 would impose private-sector mandates on manufacturers of concrete masonry products, such as cinder blocks and concrete pavers. Those manufacturers would be required to pay to the Board an assessment of one cent per masonry unit sold. CBO estimates that the cost of this mandate would amount to about \$14 million annually. The bill also would impose mandates on CMP manufacturers by requiring them to maintain records and submit information as required by the Board. Based on information from industry experts, the cost of complying with the recordkeeping requirements would be small. Consequently, CBO estimates that the aggregate cost of the private-sector mandates in the bill would fall well below the annual threshold established in UMRA (\$152 million in 2014, adjusted annually for inflation).

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