



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 4, 2015

H.R. 985 **Concrete Masonry Products Research, Education, and Promotion Act of 2015**

*As ordered reported by the House Committee on Energy and Commerce
on July 29, 2015*

SUMMARY

H.R. 985 would establish the Concrete Masonry Products Board (Board), upon approval of a referendum by producers of masonry products made from concrete (CMP), such as cinder blocks. The Board would develop research and education programs as well as efforts to promote CMP in domestic 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 H.R. 985 would increase direct spending by \$111 million and increase net revenues by \$85 million over the 2016-2025 period, leading to a net increase in the deficit of \$26 million over the 10-year period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. In addition, CBO estimates that implementing H.R. 985 would cost \$2 million over the 2016-2020 period; such spending would be subject to the availability of appropriated funds.

H.R. 985 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. 985 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 (\$154 million in 2015, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 985 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											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	0	9	12	12	13	13	13	14	14	14	46	114
Estimated Outlays	0	6	12	12	13	13	13	14	14	14	43	111
CHANGES IN REVENUES^a												
Estimated Revenues	0	7	9	9	10	10	10	10	10	10	35	85
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Impact on Deficit	0	-1	3	3	3	3	3	4	4	4	8	26

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

CBO estimates that implementing H.R. 985 would cost about \$2 million over the 2016-2020 period for administrative costs and reports; such spending would be subject to the availability of appropriated funds.

- a. When excise taxes and other types of revenue, such as assessments by the Board, are imposed on goods or services, they tend to reduce income for workers or business owners in that industry and through the economy. As a consequence, revenue derived from other tax sources—such as income and payroll taxes—will be diminished. As a result, CBO applies an offset when estimating the net revenue effect for proposals that generate such indirect tax. The amount of the offset ranges from 25.6 percent in 2016 to 26.2 percent in 2025.

BASIS OF ESTIMATE

In CBO's view, the Board that would be established under H.R. 985 should be considered to be acting on behalf of the federal government, thus all of its financial transactions should be reflected in the federal budget. While the Board would be formed only upon approval by a majority of the producers of CMP, once created, the requirement to pay assessments would be compulsory and could be enforced by the federal government's sovereign authority.

Based on information from industry representatives, CBO anticipates that the referendum would be approved by the industry and that the Board and supporting staff would be appointed near the end fiscal year 2016. We expect that assessments would be collected beginning in the first half of fiscal year 2017; the bill would require assessments to be paid quarterly.

While the bill would apply to producers of both concrete block and concrete pavers, CBO expects that only producers of concrete block would participate in the referendum. Because there is little differentiation among concrete blocks across manufacturers, all producers of concrete blocks would benefit from an industry-wide research and promotion program. Manufacturers of concrete pavers, on the other hand, are able to distinguish their products in a way that allows consumers to recognize individual brands. Consequently, those producers have little incentive to participate in an industry-wide marketing effort. Based on information from manufacturers of concrete pavers, CBO expects that those producers would not participate in the referendum.

Direct Spending

H.R. 985 would authorize the Board to spend amounts collected, without further appropriation, on research and education efforts as well as on 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 issued by the Treasury, thereby generating additional funding for its activities. Expenditures of assessments and accrued interest would be considered direct spending. Based on historical patterns for similar activities, CBO estimates that expenditures by the proposed Board would total \$111 million over the 2016-2025 period.

Revenues

H.R. 985 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 1.2 billion concrete blocks will be sold in 2016 and we expect sales to grow with inflation, yielding, on average, estimated collections of \$13 million per year. Those amounts would be recorded in the budget as revenues, because payment of the assessments would be compulsory, and could be enforced by federal courts. CBO estimates that enacting H.R. 985 would increase gross revenues by \$114 million over the 2016-2025 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 H.R. 985 would increase net revenues by \$85 million over the 2016-2025 period.

Spending Subject to Appropriation

H.R. 985 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.

The bill also would direct the Secretary of Commerce and the Government Accountability Office to prepare several reports for the Congress to explain the effect the Board has on the concrete masonry block industry and the effectiveness of the referendum model on a nonagricultural industry.

Based on the cost of similar reports and activities, CBO estimates that implementing those provisions would cost about \$2 million over the 2016-2020 period, assuming the availability of appropriated funds.

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 H.R. 985 as ordered reported by the House Committee on Energy and Commerce on July 29, 2015

	By Fiscal Year, in Millions of Dollars											2016-	2016-	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025		
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-1	3	3	3	3	3	4	4	4	8	26		
Memorandum:														
Changes in Outlays	0	6	12	12	13	13	13	14	14	14	43	111		
Changes in Revenues	0	7	9	9	10	10	10	10	10	10	35	85		

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

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 985 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. 985 would impose private-sector mandates on manufacturers of concrete masonry products, such as cinder blocks. 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 \$13 million annually on average. The bill also would impose mandates on CMP manufacturers by requiring them to maintain records and make those records available for inspection 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 (\$154 million in 2015, adjusted annually for inflation).

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