



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

September 26, 2017

**S. 374  
Concrete Masonry Products Research, Education, and Promotion  
Act of 2017**

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation  
on August 2, 2017*

**SUMMARY**

S. 374 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 S. 374 would increase net revenues by \$77 million and increase direct spending by \$71 million over the 2018-2027 period, leading to a net decrease in the deficit of \$6 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 S. 374 would cost \$2 million over the 2017-2022 period; such spending would be subject to the availability of appropriated funds.

CBO estimates that enacting S. 374 would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

S. 374 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. 374 would impose private-sector mandates on CMP manufacturers. On the basis of information from industry experts, CBO estimates that the annual cost of the mandates would fall well below the annual threshold established in UMRA for private-sector mandates (\$156 million in 2017, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 374 is shown in the following table. The costs of this legislation fall primarily within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
<b>INCREASES IN REVENUES</b>													
Estimated Revenues	0	0	6	8	8	9	9	9	9	9	10	31	77
<b>INCREASES IN DIRECT SPENDING</b>													
Estimated Budget Authority	0	0	6	8	8	8	9	9	9	9	6	31	73
Estimated Outlays	0	0	3	9	8	8	8	9	9	9	7	29	71
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM INCREASES IN DIRECT SPENDING AND REVENUES</b>													
Impact on Deficit	0	0	-3	1	*	*	*	*	*	*	-3	-3	-6

Note: \*= between -\$500,000 and zero; components may not sum to totals because of rounding.

## BASIS OF ESTIMATE

In CBO's view, the board that would be established under S. 374 would be acting on behalf of the federal government. 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, for example through a court order. Hence, in keeping with guidance specified by the 1967 President's Commission on Budget Concepts, the proposed board's cash flows should be recorded in the federal budget.<sup>1</sup>

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 of fiscal year 2018. We expect that assessments would be collected beginning in the first half of fiscal year 2019; the bill would require assessments to be paid quarterly.

1. For more information see, *How CBO Determines Whether to Classify an Activity as Governmental When Estimating Its Budgetary Effects*, Congressional Budget Office, June 2017.

The bill would apply to producers of both concrete block and concrete pavers, but 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 ways that allow 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.

For this estimate, CBO assumes that the bill will be enacted near the end of 2017, that the necessary amounts will be appropriated each year. Estimated spending is based on historical patterns for similar programs.

### **Revenues**

S. 374 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 1.1 billion concrete blocks will be sold in 2018 and we expect sales to grow with inflation, yielding, on average, estimated collections of about \$12 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 S. 374 would increase gross revenues by \$105 million over the 2018-2027 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. 374 would increase net revenues by \$77 million over the 2018-2027 period.

### **Direct Spending**

S. 374 would authorize the board to spend a portion of the 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.

S. 374 would limit the board's authority to spend its estimated collections throughout the 2018-2029 period and would further limit the board's authority to obligate funds in 2027

and 2028. Over that period, the board would be authorized to obligate 73 percent of its estimated collections. The bill also creates a formula that authorizes the board to obligate more or less than this amount depending on whether the board over or under estimated its collections in previous years or did not obligate the full amount it was authorized to obligate. For this estimate, CBO expects the board to estimate its collections accurately and to obligate the entire authorized amount each year. In 2027 and 2028, the board would be required to further limit obligations to 62 percent of the last actual collection in those years. Based on historical spending patterns for similar activities, CBO estimates that expenditures by the proposed board would total \$71 million over the 2018-2027 period.

Beginning in 2030, the obligation limitations would expire and the board would be authorized to spend the full amount of its estimated collections. The board also would be authorized to spend a portion of the amounts that were collected but unavailable for obligation over the 2019-2030 period, as well as the interest earned on any such amounts during that period. CBO estimates that \$52 million would be available to spend from those amounts.

### **Spending Subject to Appropriation**

S. 374 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 2017-2022 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 S. 374, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on August 2, 2017**

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	0	-3	1	0	0	0	0	0	0	-3	-3	-6
<b>Memorandum:</b>													
Changes in Revenues	0	0	6	8	8	9	9	9	9	9	10	31	77
Changes in Outlays	0	0	3	9	8	8	9	9	9	9	7	29	71

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

**INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

Each year beginning in 2030, the board would be authorized to spend up to 20 percent of the amounts it previously collected but was not authorized to spend over the 2018-2029 period, as well as any interest accrued on those funds. CBO estimates that this newly available balance would total \$52 million and would be spent without further appropriation in 2030 and later years.

Moreover, because the obligation limitation on the board’s authority to spend its estimated collections would expire in 2029 and because the board would be authorized to spend gross assessments collected after 2029, rather than the net collections after accounting for reductions in revenues from income and payroll taxes, CBO estimates that, on net, implementing S. 374 would increase the deficit in each year beginning in 2030. However, CBO estimates that enacting S. 374 would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

**ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

S. 374 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. 374 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 \$12 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 (\$156 million in 2017, adjusted annually for inflation).

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