



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

July 11, 2006

**H.R. 3197**

**Secure Handling of Ammonium Nitrate Act of 2006**

*As ordered reported by the House Committee on Homeland Security  
on June 14, 2006*

**SUMMARY**

H.R. 3197 would authorize the Department of Homeland Security (DHS) to regulate the handling and purchase of ammonium nitrate. CBO estimates that implementing H.R. 3197 would cost \$45 million over the 2007-2011 period, assuming appropriation of the necessary amounts. Enacting the bill could affect revenues, but we estimate that any such effects would not be significant. Enacting the bill would not affect direct spending.

H.R. 3197 contains an intergovernmental mandate, as defined in the Unfunded Mandates Reform Act (UMRA), because it would preempt the authority of states to regulate the sale of ammonium nitrate in a manner that is less stringent than the requirements of this bill. However, CBO estimates that states would incur little, if any, direct costs as a result of that preemption; therefore, the annual threshold established in UMRA would not be exceeded (\$64 million in 2006, adjusted annually for inflation).

H.R. 3197 would impose new private-sector mandates, as defined in UMRA, on ammonium nitrate handlers. The bill would require handlers to increase the amount of data they collect. In addition to their current reporting to the Attorney General, handlers also would now have to register with and submit documentation to the Secretary of the Department of Homeland Security and report the theft or unexplained loss of any ammonium nitrate of which they are aware. These changes would result in increased administrative costs to ammonium nitrate handlers. CBO expects that the costs of the mandates in the bill would fall below the annual threshold for private-sector mandates (\$128 million in 2006, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3197 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

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	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	6	10	10	10	11
Estimated Outlays	5	9	10	10	11

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### BASIS OF ESTIMATE

CBO estimates that implementing H.R. 3197 would cost \$45 million over the 2007-2011 period. For this estimate, CBO assumes that the necessary amounts will be appropriated near the start of each fiscal year and that spending will follow historical patterns for similar activities. In addition, CBO estimates that the bill would have an insignificant effect on revenues.

### Spending Subject to Appropriation

H.R. 3197 would authorize DHS to regulate the handling and purchase of ammonium nitrate. The bill would require handlers (producers or sellers) of ammonium nitrate to register with DHS and to maintain certain sales records. H.R. 3197 would direct DHS to periodically inspect and audit those records.

Based on information from industry associations, CBO estimates that there are about 2,000 handlers of ammonium nitrate in the United States. Based on the number of personnel employed by the Bureau of Alcohol, Tobacco, Firearms, and Explosives to inspect handlers of firearms and explosives, CBO expects that DHS would need to hire about 60 people to carry out field inspections and audits of ammonium nitrate handlers. Once fully phased in, CBO estimates that the costs of these additional employees would reach \$8 million annually, including salaries, benefits, training, and support costs. For this estimate, we assume that the new positions would be fully staffed by fiscal year 2008.

In addition, we estimate that DHS would need to hire about 20 people to register and communicate with handlers of ammonium nitrate, write regulations, and administer this new program. We estimate that costs for these personnel would total \$2 million annually.

H.R. 3197 would permit DHS to enter into agreements with states to register and inspect handlers of ammonium nitrate. Under the bill, DHS would reimburse states for their costs to carry out those responsibilities if states chose to enter into such agreements with DHS. CBO expects that the cost to carry out those registrations and inspections would be similar whether conducted by states or DHS.

## **Revenues**

Enacting H.R. 3197 could increase collections of civil fines for violations of the bill's provisions for the handling of ammonium nitrate. CBO estimates that any additional collections would not be significant because of the small number of cases likely to be affected. Civil fines are recorded as revenues in the federal budget.

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

H.R. 3197 contains an intergovernmental mandate, as defined in UMRA, because it would preempt the authority of states to regulate the sale of ammonium nitrate in a manner that is less stringent than the requirements of this bill. Currently, nine states regulate the sale of ammonium nitrate, though none of those regulations are the same as the provisions of this bill, and all of those regulations would be preempted. This bill would not require states to upgrade those regulations; rather, the states could choose to stop regulating such sales and allow the federal government to do so. CBO estimates that states would incur little, if any, direct costs as a result of that preemption; therefore, the annual threshold established in UMRA would not be exceeded (\$64 million in 2006, adjusted annually for inflation).

The bill would allow states to enter into cooperative agreements with the federal government to implement the requirements of the bill, and the Secretary of DHS would be authorized to provide those states with sufficient funds to carry out such duties. CBO cannot estimate how many states might opt to implement those regulations, but assuming appropriation of funds, any costs incurred by those states would be paid for by the federal government.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 3197 would impose new private-sector mandates, as defined in UMRA, by expanding the data collection and reporting requirements for ammonium nitrate handlers and purchasers. The bill would require handlers to:

- Submit documentation on handlers, purchasers, purchasers' agents, and ammonium nitrate facilities to the Secretary of DHS;
- Report the amount of ammonium nitrate sold or transferred during each year, including previously excluded fertilizer sales;
- Maintain a record of each sale or transfer of ownership of ammonium nitrate, including fertilizer sales, containing all the information stated above, for three years commencing with the date of sale or transfer;
- Verify the identity of purchasers or their agents through a procedure approved by the Secretary and record the date and quantity of ammonium nitrate sold or transferred; and
- Take reasonable measures to protect the data collected.

Persons wishing to buy such products would have to present suitable identification. Additionally, any person with knowledge of any theft or unexplained loss of ammonium nitrate would have to report it to law enforcement authorities within one calendar day of the date on which the person becomes aware of such an event.

Compliance with the above requirements would result in the following incremental costs to handlers:

- Postage, courier, Internet, or other transmission or handling costs attached to each submission to the Secretary;
- Storage costs associated with keeping a larger amount of data for three years;
- The cost of implementing a purchaser verification procedure; and
- The cost of securing collected data.

In general, any person with knowledge of stolen or misplaced ammonium nitrate would incur the negligible cost associated with filing a report.

Although CBO cannot precisely estimate the total of these costs, CBO expects that the total cost of the bill's mandates would fall below the annual threshold for private-sector mandates (\$128 million in 2006, adjusted annually for inflation).

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