



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 21, 2007

H.R. 1680

Secure Handling of Ammonium Nitrate Act of 2007

As ordered reported by the House Committee on Homeland Security on April 26, 2007

SUMMARY

H.R. 1680 would authorize the Department of Homeland Security (DHS) to regulate the handling and purchase of ammonium nitrate. CBO estimates that implementing H.R. 1680 would cost \$45 million over the 2008-2012 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 H.R. 1680 would not affect direct spending.

H.R. 1680 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 (\$66 million in 2007, adjusted annually for inflation) would not be exceeded.

H.R. 1680 would impose private-sector mandates, as defined in UMRA, on owners of ammonium nitrate facilities and purchasers of ammonium nitrate. CBO expects that the aggregate direct cost of those mandates would fall below the annual threshold established by UMRA for private-sector mandates (\$131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1680 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	6	10	10	10	11
Estimated Outlays	5	9	10	10	11

BASIS OF ESTIMATE

CBO estimates that implementing H.R. 1680 would have discretionary costs of \$45 million over the 2008-2012 period. For this estimate, CBO assumes that the necessary amounts will be appropriated by 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. 1680 would authorize DHS to regulate the handling and purchase of ammonium nitrate. The bill would require producers, sellers, and certain purchasers of ammonium nitrate to register with DHS and would make producers and sellers maintain certain sales records. H.R. 1680 would direct DHS to periodically inspect and audit those records.

Using information from industry associations, CBO estimates that there are about 2,000 producers and sellers 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 producers and sellers. Once fully phased in, CBO estimates that the costs of those 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 2009.

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

H.R. 1680 would permit DHS to enter into agreements with states to register and inspect producers, sellers, and purchasers 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. 1680 could increase collections of civil fines for violations of the bill's provisions for the handling and purchase 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. 1680 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 the states would incur little, if any, direct costs as a result of that preemption; therefore, the annual threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation) would not be exceeded.

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

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1680 would impose private-sector mandates, as defined in UMRA, on owners of ammonium nitrate facilities and purchasers of ammonium nitrate. CBO expects that the aggregate direct cost of those mandates would fall below the annual threshold established by UMRA for private-sector mandates (\$131 million in 2007, adjusted annually for inflation).

The bill would direct the Department of Homeland Security (DHS) to regulate the sale and transfer of ammonium nitrate, which is commonly used in agriculture fertilizer. The bill would require owners of ammonium nitrate facilities and purchasers of ammonium nitrate to register with DHS. In addition, those owners would be required to maintain a record of each sale or transfer of ammonium nitrate for two years. Further, any facility owner with knowledge of any theft or unexplained loss of ammonium nitrate would be required to report it to law enforcement authorities within one day of the date on which the owner becomes aware of such an event.

The direct cost of the mandates on owners would be the cost of registering with DHS, maintaining additional records for sales, and filing a report in the case of theft or an unexplained loss of ammonium nitrate. For purchasers, the direct cost would be the cost of registering with DHS. Based on information from industry sources, CBO expects that those administrative costs would be small relative to the annual threshold.

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