



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 9, 2002

H.R. 4864 **Anti-Terrorism Explosives Act of 2002**

As ordered reported by the House Committee on the Judiciary on June 19, 2002

SUMMARY

H.R. 4864 would require all purchasers of explosives to obtain permits from the Bureau of Alcohol, Tobacco, and Firearms (ATF) and would direct that agency to perform background checks on persons who work with explosives. The bill also would require manufacturers and importers of explosive materials or ammonium nitrate to furnish samples and other information to the ATF. Finally, H.R. 4864 would expand the current prohibitions on possession of explosives and would establish new federal crimes for offenses relating to misuse of explosives.

CBO estimates that implementing H.R. 4864 would cost about \$190 million over the 2003-2007 period for the ATF to administer the bill's provisions, assuming appropriation of the necessary amounts. We estimate that enacting the bill would increase receipts by about \$2 million over the 2003-2007 period and would have an insignificant effect on direct spending. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

H.R. 4864 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 4864 would impose private-sector mandates, as defined in UMRA, on manufacturers, distributors, importers, and purchasers of explosive materials. CBO estimates that the costs of those mandates would fall well below the annual threshold specified in UMRA (\$115 million in 2002, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4864 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Million of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	25	40	42	43	45
Estimated Outlays	23	39	41	43	45
CHANGES IN REVENUES					
Estimated Revenues	1	a	a	a	a

a. Less than \$500,000.

BASIS OF ESTIMATE

CBO estimates that implementing H.R. 4864 would increase costs for the ATF by about \$190 million over the 2003-2007 period. CBO assumes that the necessary amounts will be appropriated by the start of each fiscal year. In addition, the bill also would increase revenues by about \$2 million over the 2003-2007 period and would have a negligible effect on direct spending.

Spending Subject to Appropriation

Under current law, residents of a state may purchase explosives from a business located in that state or in an adjacent state without a federal permit. H.R. 4864 would require those purchasers of explosives to obtain a permit from the ATF. The agency expects 25,000 to 40,000 persons or firms to need such “limited” permits each year. Under the bill’s provisions, the ATF would have to conduct a field inspection of each applicant. In addition, H.R. 4864 would direct the ATF to conduct background checks on all persons who handle

explosives. The ATF expects that roughly 100,000 checks would be required each year under the bill.

CBO expects that the ATF would need to hire a significant number of new employees to carry out the bill's provisions, mostly field inspectors, but also attorneys, chemists, and other administrative and support personnel. Based on information from the ATF about the level of effort required for field inspections and background checks, CBO estimates that implementing H.R. 4864 would cost about \$40 million annually to hire an additional 350 to 400 persons. We expect that those new positions would be fully staffed by fiscal year 2004.

H.R. 4864 also would require manufacturers and importers of explosive materials or ammonium nitrate to furnish samples and other information to the ATF. The agency would have to provide reimbursement of the fair market value of samples plus shipping costs. Based on information from the ATF and from trade associations for explosives manufacturers, CBO does not expect those costs to be significant because of the small amount of material involved.

Direct Spending and Revenues

The ATF expects to charge a fee of \$25 for each limited permit it issues, plus a \$12.50 renewal fee each year. Because fees that the agency currently charges to issue licenses to manufacturers and dealers of explosives are recorded on the budget as revenues, CBO expects these collections would also be considered revenues. Assuming there are about 30,000 applicants for these permits, CBO estimates that enacting H.R. 4864 would increase revenues by about \$800,000 in fiscal year 2003 and by about \$400,000 in each year thereafter.

Enacting H.R. 4864 also could increase collections of criminal fines for violations of the bill's provisions relating to use of explosives. CBO estimates that any additional collections would not be significant because of the small number of additional cases likely to be affected. Criminal fines are recorded as receipts and deposited in the Crime Victims Fund, then later spent.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act specifies procedures for legislation affecting direct spending and receipts. Pay-as-you-go procedures would apply to H.R. 4864 because the bill would affect direct spending and receipts. Except for the estimated receipts

of nearly \$1 million in 2003, annual effects on direct spending and revenues would be less than \$500,000 a year, as shown in the following table.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	0	0	0	0	0	0	0	0	0	0
Changes in receipts	0	1	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4864 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4864 would impose private-sector mandates as defined in UMRA on manufacturers, distributors, importers, and purchasers of explosive materials. CBO estimates that the costs of those mandates would fall well below the annual threshold specified in UMRA (\$115 million in 2002, adjusted annually for inflation).

Background Checks and Federal Permits

H.R. 4864 would require applicants for federal licenses and permits for handling explosives to submit identifying information on specific employees to the ATF. The bill also would require certain persons with management responsibilities related to explosives to submit fingerprints and a photograph.

Under current law, residents of a state may purchase explosives from a business located in that state or in an adjacent state without a federal permit. The bill would require those purchasers of explosives to obtain a permit from the ATF.

Based on information from the ATF and representatives of the commercial explosives industry, CBO estimates that the cost for those mandates would be less than \$2 million annually beginning in 2003.

Samples of Materials and other Information

H.R. 4864 would require manufacturers and importers of explosive materials or ammonium nitrate to furnish samples of those materials to the ATF. The cost of this mandate would be comprised of the fair market value of the samples and the cost of shipping those samples. The bill would provide reimbursement for those costs and, therefore, the mandated entities would not incur any compliance costs.

In addition, the bill would require manufacturers and importers of explosive materials or ammonium nitrate to furnish any information that the Secretary determines to be relevant to the identification of the explosive material or ammonium nitrate. Based on information from the ATF, the specific information that may be required is not determined, but it is expected not to be large.

Prohibition to Receive and Possess Explosive Materials

The bill would expand the categories of individuals who would be prohibited from receiving and possessing explosive materials to include persons who have been committed to a mental institution, discharged dishonorably from the Armed Forces, certain aliens, and U.S. citizens who have renounced their citizenship. Based on information from ATF and representatives of the commercial explosives industry, the number of people affected would not be great. Thus, CBO estimates that the cost of this mandate would be small.

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