



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 14, 1999

S. 348

National Oilheat Research Alliance Act of 1999

*As ordered reported by the Senate Committee on Energy and Natural Resources
on June 30, 1999*

SUMMARY

S. 348 would authorize the National Association for Oilheat Research and Education to conduct a referendum among retail marketers and wholesale distributors to determine if an industry research organization should be established. If there is sufficient industry support, the National Oilheat Research Alliance would be established for a four-year period to enhance consumer and employee safety and training; provide for research, development, and demonstration of oilheat equipment; and educate consumers. The alliance would be funded through an annual assessment of two-tenths of 1 cent per gallon of No. 1 distillate and No. 2 dyed distillate sold in the retail market and used for nonindustrial commercial or residential space or hot water heating. Funds collected through this assessment would be available to fund the alliance's programs without further appropriation by the Congress. The bill would restrict the types of activities that could be funded by the alliance if the Department of Commerce finds that oilheat prices have risen above a certain level.

Assuming that the industry would choose to establish the alliance, CBO estimates that enacting S. 348 would increase both governmental receipts and outlays from direct spending by \$16 million in 2000 and \$15 million in each of the fiscal years 2001 through 2003. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply, but CBO estimates that the increase in annual receipts would be matched by outlay increases so that there would be no net budgetary impact for each year.

S. 348 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not impose costs on state, local, or tribal governments. S. 348 would impose a private-sector mandate, as defined by UMRA, on wholesale distributors of heating oil sold in the retail market and used for nonindustrial commercial or residential space or hot water heating. CBO estimates that the cost of this mandate would not exceed the annual threshold for private-sector mandates (\$100 million in 1996, adjusted for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting S. 348 would increase governmental receipts and direct spending (from the disbursement of such receipts) by \$16 million in fiscal year 2000 and about \$15 million in each of the fiscal years 2001 through 2003. For purposes of this estimate, CBO assumes that the industry would vote to establish the National Association for Oilheat Research Alliance. CBO believes that the cash flows related to the alliance should appear in the budget as governmental receipts and direct spending because the assessments would stem from exercise of the sovereign power of the federal government.

The estimates of annual assessments are based on the bill's fixed rate of two-tenths of one cent per gallon and on recent industry data on the amount of distillate sold in the United States retail market. We estimate that collections and spending would decline gradually over time, consistent with the Department of Energy's projection of trends in distillate sales for residential and commercial heating. The authority to collect such assessments would expire four years after the National Oilheat Research Alliance is established. Thus, there would be no budgetary effects after 2003.

Based on information from the Department of Commerce, CBO estimates that the cost of the studies required by the bill would have no significant effect on discretionary spending.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting S. 348 would affect both direct spending and receipts in equal and offsetting amounts; therefore, pay-as-you-go procedures would apply, but S. 348 would have no net budgetary impact in each year. The estimated changes in outlays and governmental receipts are shown in the following table.

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	16	15	15	15	0	0	0	0	0	0
Changes in receipts	16	15	15	15	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill 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

S. 348 would impose a private-sector mandate on wholesale distributors of heating oil that is sold in the retail market and used for nonindustrial commercial or residential space or hot water heating. Those wholesale distributors would be required to pay an annual assessment to the National Oilheat Research Alliance if retail marketers and wholesale distributors vote favorably on a referendum to establish the alliance. Based on testimony of representatives of the industry in a Congressional hearing, CBO assumes that the referendum would be approved. We estimate that the annual assessments would total \$16 million in 2000 and \$15 million each year from 2001 through 2003, well below the annual threshold of \$100 million established in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Kathleen Gramp
Impact on the Private Sector: Jean Wooster

ESTIMATE APPROVED BY:

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis