



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 23, 2002

### **S. 1956** **Safe Explosives Act**

*As reported by the Senate Committee on the Judiciary on June 13, 2002*

#### **SUMMARY**

S. 1956 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 direct manufacturers and importers of explosive materials or ammonium nitrate to furnish samples and other information to the ATF. Finally, S. 1956 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 S. 1956 would cost about \$150 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.

S. 1956 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

S. 1956 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 S. 1956 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					
	2002	2003	2004	2005	2006	2007
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
ATF Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	854	882	910	939	971	1,003
Estimated Outlays	789	882	910	936	967	1,000
Proposed Changes						
Estimated Authorization Level	0	20	32	34	34	36
Estimated Outlays	0	18	31	33	34	36
ATF Spending Under S. 1956						
Estimated Authorization Level	854	902	942	973	1,005	1,039
Estimated Outlays	789	900	941	969	1,001	1,036
<b>CHANGES IN REVENUES</b>						
Estimated Revenues	0	1	*	*	*	*

NOTE: \* = Less than \$500,000.

a. The 2002 level is the amount appropriated for that year for ATF activities. The estimated authorization levels for 2003 through 2007 are CBO baseline estimates that adjust the amounts appropriated for 2002 for anticipated inflation.

## BASIS OF ESTIMATE

CBO estimates that implementing S. 1956 would increase costs for the ATF by about \$150 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 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. S. 1956 would require those purchasers of explosives to obtain a “limited” permit from the ATF. In addition, S. 1956 would direct the ATF to conduct background checks on all persons who handle explosives.

The ATF anticipates that 25,000 to 40,000 persons or firms would need limited permits each year and expects to conduct field inspections of roughly 80 percent of those applicants. In addition, the agency expects that roughly 100,000 background checks would be required each year under the bill. CBO expects that the ATF would need to hire 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 the agency would have to spend about \$30 million annually for salaries and expenses of an additional 300 or so persons to implement S. 1956. For this estimate, we assume that the new positions would be fully staffed by fiscal year 2004.

S. 1956 also would require manufacturers and importers of explosive materials or ammonium nitrate to furnish samples and other information to the ATF, when requested by the agency. The ATF would be authorized (but not required) to provide reimbursement equal to 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 such 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 S. 1956 would increase revenues by about \$800,000 in fiscal year 2003 and by about \$400,000 in each year thereafter.

Enacting S. 1956 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, deposited in the Crime Victims Fund, and subsequently 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 S. 1956 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.

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	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

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

S. 1956 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. 1956 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).

### **Requirements for Federal Permits**

S. 1956 would require new applicants for federal licenses and permits for handling explosives, and certain company managers with responsibilities related to explosives to submit information to the ATF so that the agency can perform background checks on those individuals.

The bill also would require all purchasers of explosives to obtain a permit from the ATF. 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.

Based on information from the ATF and representatives of the commercial explosives industry, CBO estimates that the cost for those mandates would be about \$1 million annually beginning in 2003.

### **Requirement to Submit Samples of Explosive Materials**

S. 1956 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 include the fair market value of the samples and the cost of shipping those samples. (The bill would authorize—but not require—the ATF to reimburse manufacturers and importers for such 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 those materials. According to the ATF, the specific information that may be required has not been determined, but the amount is not expected to be great.

Based on information from the ATF and representatives of the commercial explosives industry, CBO estimates that the compliance costs of those mandates would be small.

### **Prohibition Against Receipt and Possession of 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, convicted of a misdemeanor crime of domestic violence, or subject to a court order related to domestic violence, as well as certain aliens and U.S. citizens who have renounced their citizenship. Based on information from the ATF and representatives of the commercial explosives industry, the number of people affected would not be large. Thus, CBO estimates that the cost of this mandate would be small.

### **PREVIOUS CBO ESTIMATE**

On August 9, 2002, CBO transmitted a cost estimate for H.R. 4864, the Anti-Terrorism Explosives Act of 2002, as ordered reported by the House Committee on the Judiciary on June 19, 2002. That legislation would require the ATF to conduct field inspections of all applicants for limited permits, and the cost estimate reflects greater costs for that

requirement. CBO estimated that implementing that bill would cost \$190 million over the 2003-2007 period.

The two versions of the bill contain similar mandates and the aggregate cost of private-sector mandates in both bills would fall well below the annual threshold established in UMRA. The House bill differs from the Senate bill in that it would require the government to reimburse manufacturers and importers for the shipping costs and the value of samples required to be submitted to the ATF.

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