



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 7, 2010

S. 1660 **Formaldehyde Standards for Composite Wood Products Act**

*As ordered reported by the Senate Committee on Environment and Public Works
on December 10, 2009*

S. 1660 would apply the California formaldehyde emission standard to hardwood plywood, medium-density fiberboard, and particle board that is sold, supplied, offered for sale, or manufactured in the United States. The bill would prescribe several exemptions. Under this legislation, the Environmental Protection Agency (EPA) would be required to issue regulations to implement that standard no later than January 1, 2012, and revise regulations relating to the importation of products covered under this legislation no later than July 1, 2011. EPA also would be required to provide annual reports to the Congress through 2014 on the status of implementing the standard. Finally, within 180 days of enactment, the Secretary of Housing and Urban Development would be required to update regulations relating to formaldehyde emission levels of products installed in manufactured homes.

CBO estimates that implementing this legislation would cost about \$3 million over the 2010-2011 period, assuming availability of appropriated funds, to issue regulations and prepare reports. Enacting the bill would not affect direct spending or revenues.

S. 1660 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Requiring manufacturers, sellers, suppliers and importers of composite wood products to meet a national standard for formaldehyde emissions would constitute a private-sector mandate as defined in UMRA. Because of uncertainty about the extent to which entities would already be in compliance with the requirements in the bill, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$141 million in 2010, adjusted annually for inflation).

The national standard would be based on the standard established by the California Air Resources Board (CARB) which is currently being phased in by the state of California. CARB estimated that the cost of complying with the state standard would exceed \$100 million. According to information from the industry, the cost to comply with a

national standard would significantly exceed the cost of the CARB standard. At the same time, industry sources indicate that a significant portion of the industry nationwide already complies with the standard for formaldehyde emissions established by CARB.

The CBO staff contacts for this estimate are Susanne S. Mehlman (for federal costs) and Amy Petz (for the impact on the private-sector). This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.