



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 25, 2010

H.R. 5381 **Motor Vehicle Safety Act of 2010**

As ordered reported by the House Committee on Energy and Commerce on May 25, 2010

SUMMARY

CBO estimates that H.R. 5381 would authorize net appropriations of \$1.1 billion over the 2011-2015 period for the National Highway Traffic Safety Administration (NHTSA) to establish new safety standards for certain vehicles, to complete safety research, and to make certain information more readily available to the public. The bill would authorize fees to be levied on new vehicles offered for sale in the United States. Under the bill, those fees would be collected only if provided for in appropriation acts, and any collections would be credited to those appropriation acts. On balance, CBO estimates that implementing the bill would cost \$876 million over the 2010-2015 period, assuming appropriation of the necessary amounts.

Pay-as-you-go procedures apply because enacting the legislation could affect revenues. The bill would increase certain civil penalties paid by vehicle manufacturers; such collections are classified as revenues in the budget. Based on information from NHTSA about historical penalty collections, CBO estimates that the expanded penalties would increase revenues by \$1 million per year over the 2011-2020 period.

H.R. 5381 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt state laws relating to the safety standards for motor vehicles established in the bill. While that preemption would limit the application of state law, CBO estimates that it would impose no duty on state, local, or tribal governments that would result in additional spending.

By placing new requirements on manufacturers of motor vehicles, H.R. 5381 would impose private-sector mandates as defined in UMRA. Based on information from NHTSA and industry sources, CBO estimates that the aggregate cost of the mandates on private-sector entities would exceed the annual threshold established in UMRA for such mandates (\$141 million in 2010, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5381 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					2011-2015
	2011	2012	2013	2014	2015	2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a						
NHTSA Motor Safety Operations						
Estimated Authorization Level	200	240	280	285	291	1,296
Estimated Outlays	116	193	247	275	286	1,117
Vehicle Safety Fees (Offsetting Collections)						
Estimated Authorization Level	-21	-81	-134	-149	-153	-538
Estimated Outlays	-21	-81	-134	-149	-153	-538
Vehicle Safety Fees (Spending)						
Estimated Authorization Level	0	21	81	134	149	385
Estimated Outlays	0	12	52	101	132	297
Total Changes						
Estimated Authorization Level	179	180	227	270	287	1,143
Estimated Outlays	95	124	165	227	265	876

Note: NHTSA = National Highway Traffic Safety Administration.

a. CBO estimates that enacting H.R. 5831 also would increase revenues by \$1 million a year over the 2011-2020 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5381 will be enacted in 2010 and that the authorized and estimated amounts will be appropriated each year. Estimates of spending are based on historical spending patterns for similar programs.

Spending Subject to Appropriation

CBO estimates that H.R. 5381 would authorize appropriations of about \$1.1 billion over the 2011-2015 period for certain NHTSA operations. The bill also would establish fees levied on new vehicles offered for sale in the United States. Those fees would be credited against appropriations. As a result, assuming appropriation of the specified and estimated amounts, CBO estimates that implementing the bill would cost \$876 million over the 2010-2015 period.

NHTSA Motor Safety Operations. H.R. 5381 would require NHTSA to create new and update existing safety regulations that apply to motor vehicles. The agency would be required to complete new research or speed up other research on several topics related to the safety of motor vehicles. NHTSA would also be required to make certain information more readily available to the public, expand the capabilities of its existing telephone call center, and submit several new reports to the Congress. The bill would specifically authorize the appropriation of \$720 million over the 2011-2013 period. Because the legislation would authorize appropriation of amounts collected from the vehicle safety user fees over the 2012-2015 period, CBO assumes that NHTSA's motor safety operations would continue after 2013. Based on information from NHTSA and assuming appropriation of the specified amounts and the amounts estimated to be necessary, CBO estimates that those operations would cost about \$1.1 billion over the 2010-2015 period.

Vehicle Safety User Fee. The bill would establish a "vehicle safety user fee" that would be imposed on manufacturers of new vehicles certified to meet safety standards for sale in the United States. The bill specifies that the fee would be \$3 per vehicle in 2011, increasing to \$9 per vehicle in 2013. After 2013, the amount of the fee would be determined by the Department of Transportation. Because the fee would be collected and available for obligation only to the extent and in the amount provided in advance in appropriation acts, these fees would be treated as offsetting collections (a credit against discretionary spending).

Starting in 2012, the bill would authorize the appropriation of the amounts collected from fees in the prior fiscal year. Based on industry forecasts, CBO estimates that the number of vehicles offered for sale in the United States will be about 12 million in 2010 and grow to about 17 million by 2015. Based on this information and assuming appropriation of the estimated amounts, CBO estimates that the fee collections would total \$538 million over the 2011-2015 period. Of those amounts, we estimate that \$385 million would be authorized to be appropriated over the 2012-2015 period. Based on the historical spending pattern for NHTSA programs, CBO estimates that implementing those provisions would result in net discretionary savings of \$241 million over the 2010-2015 period because spending would lag behind the expected fee collections (as shown in the table above).

Revenues

H.R. 5381 would increase civil penalties paid by vehicle manufacturers who violate certain regulations governing motor vehicle safety. Collections of civil fines are recorded as revenues and deposited in the Treasury. Based on information from NHTSA about historical penalty collections and the number and type of violations of safety regulations, CBO estimates that the expanded penalties would increase revenues by \$1 million per year over the 2011-2020 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You Go Effects for H.R. 5381 as ordered reported by the House Committee on Energy and Commerce on May 25, 2010

By Fiscal Year, in Millions of Dollars													2010- 2015	2010- 2020
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020				
NET DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-10

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5381 contains an intergovernmental mandate as defined in UMRA because it would preempt state laws relating to the safety standards for motor vehicles established in the bill. While that preemption would limit the application of state law, CBO estimates that it would impose no duty on state, local, or tribal governments that would result in additional spending.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

By placing new requirements on manufacturers of motor vehicles, H.R. 5381 would impose private-sector mandates as defined in UMRA. CBO estimates that the aggregate cost of the mandates on private-sector entities would exceed the annual threshold established in UMRA for such mandates (\$141 million in 2010, adjusted annually for inflation) in at least one of the first five years after the bill is enacted.

Safety User Fees

The bill would require manufacturers to pay a user fee for each motor vehicle certified and delivered for sale in the United States. The user fee would be set at \$3 per vehicle in 2011, increasing to \$9 per vehicle in 2013, and subsequently would be adjusted for inflation as determined by the Department of Transportation. CBO estimates that the fees paid by

manufacturers would amount to \$538 million over the first five years the mandate is in effect.

Stability Control Systems

H.R. 5381 would require manufacturers of large commercial motor vehicles to comply with new performance standards that are consistent with stability-enhancing technologies that address rollovers and loss-of-control crashes. Based on information from NHTSA, CBO expects that manufacturers would probably have to install stability control systems in new tractor trailers and motorcoaches to comply with the new standard.

Based on information from NHTSA and industry sources on the number of tractor trailers produced per year, the costs of stability-enhancing technology, and the proportion of vehicles that already include such technology, CBO estimates that the cost of the mandate for manufacturers of tractor-trailers could amount to at least \$100 million per year.

According to information from industry sources, all new motorcoaches already include stability-enhancing technology. Thus, CBO expects that the incremental cost to motorcoach manufacturers would be minimal, if any.

Passenger Motor Vehicle Safety Standards

The bill would direct NHTSA to establish safety standards for such things as configuring and labeling gear-shift controls, controlling vehicles with push-button ignition systems, and fail-safe systems for accelerator control systems. NHTSA estimates that 12 million to 17 million passenger motor vehicles will be offered for sale annually over the next five years. Based on information from NHTSA and industry sources about the cost of potential requirements, CBO estimates that the cost to the industry to comply with the new standards could be significant. Because the types of safety requirements implemented would be determined by future regulations, CBO cannot estimate the cost of the mandates.

Event Data Recorders

The bill would require manufacturers to install event data recorders (EDRs) in all passenger vehicles sold in the United States beginning in model year 2015. EDRs record information from a vehicle before, during, and after a safety event such as when an air bag is deployed. Information from industry sources indicates that it would cost each manufacturer \$6 million in development costs and \$5.50 per car to install EDRs that meet existing standards. However, EDRs would have to meet standards to be established by NHTSA related to the types of events recorded, the length of the recording for each event, and the types of data stored. Because such standards would be determined by future regulations, CBO cannot estimate the cost of this mandate.

Hybrid or Electric Vehicle Sounds

H.R. 5381 would require hybrid and electric vehicles to generate sounds that alert blind pedestrians when such a vehicle is operating nearby. Based on information from NHTSA and industry sources on the number of vehicles that could be affected and the potential cost of installing such devices, CBO estimates that the cost of this mandate would be small relative to the annual threshold.

Other Mandates

CBO estimates that the costs of several private-sector mandates imposed by the bill would be minimal. For example, the legislation would require manufacturers of motor vehicles to:

- Make information about recalls available to customers on the internet;
- Place information about submitting a safety-related complaint to NHTSA in each automobile; and
- Have a senior official responsible for safety residing in the United States who would certify certain information submitted to the Department of Transportation.

ESTIMATE PREPARED BY:

Federal Spending: Sarah Puro

Federal Revenues: Zachary Epstein

Impact on State, Local, and Tribal Governments: Ryan Miller

Impact on the Private Sector: Samuel Wice

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis