



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 14, 1998

S. 852

National Salvage Motor Vehicle Consumer Protection Act of 1997

*As ordered reported by the Senate Committee on Commerce, Science,
and Transportation on November 4, 1997*

SUMMARY

Assuming appropriation of the necessary amounts, CBO estimates that enacting S. 852 would result in additional discretionary spending of approximately \$700,000 by the Department of Transportation (DOT) over the next five fiscal years. The legislation could affect direct spending and receipts; therefore, pay-as-you-go procedures would apply. CBO estimates that any such effects would be insignificant.

S. 852 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). It would, however, place additional requirements on states that choose to accept federal funds to improve their motor vehicle titling systems. The bill would impose private-sector mandates, but CBO estimates that the direct costs of those mandates would not exceed the annual threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation) in any of the next five years.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

S. 852 would establish uniform national standards for titling and registering salvage, nonrepairable, and rebuilt vehicles. For states that choose to participate in the National Motor Vehicle Title Information System (NMVTIS), the bill specifies information that must be included on a vehicle title and procedures that must be followed to minimize the opportunity for fraud. NMVTIS is an information network that will seek to provide all participants with instant and reliable access to information maintained by the states related to automobile titling. States would not have to comply with the system's national standards in order to receive federal grants for activities related to developing and using title information.

The legislation would require that all rebuilt salvage vehicles pass a state anti-theft inspection, and lists procedures that should be included in an anti-theft inspection. For those states that choose to require a safety inspection of rebuilt salvage vehicles, S. 852 would direct the Secretary of Transportation to establish uniform national safety inspection criteria. The legislation would establish civil and criminal penalties for individuals who knowingly provide false information on disclosures made pursuant to its provisions, or who violate its vehicle titling and disclosure requirements.

S. 852 stipulates that no state may participate in NMVTIS unless it complies with the uniform titling standards in the bill and standards detailed in chapter 305 of Title 49 of the U.S. Code. The legislation would permit the Attorney General to make reasonable and necessary grants to participating states to assist them in becoming part of NMVTIS.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing S. 852 would affect discretionary spending by both the Department of Transportation and the Department of Justice (DOJ). The Anti-Car Theft Improvements Act of 1995 (Public Law 104-152) transferred federal authority over the title information system from the Secretary of Transportation to the Attorney General. The Secretary of Transportation retains responsibility for formulating and monitoring federal regulations that establish uniform safety and titling criteria.

DOT Spending Subject to Appropriation

CBO estimates that DOT would spend approximately \$700,000 over the 1999-2003 period to implement S. 852, assuming the availability of appropriated funds.

DOT expects to contract out the task of writing a rule that specifies uniform safety provisions for states that choose to require safety inspections. The total cost of writing such a rule would be approximately \$75,000, and it would cost approximately \$250,000 to determine whether user fees would cover state costs of developing uniform safety and titling provisions. This sum includes the cost of surveying the states and formulating a report for the appropriate committees of the Congress. In addition, DOT estimates that it would need to hire one full-time employee to review safety and titling programs of individual states. The new position would likely be at the GS-15 level, resulting in costs for compensation and expenses totaling about \$350,000 over the 1999-2003 period. The other requirements this legislation would impose on DOT are likely to have negligible costs.

DOJ Spending Subject to Appropriation

DOJ is responsible for administering and funding NMVTIS, and CBO expects that enactment of S. 852 would not significantly affect the department's costs for establishing the system. Under current law, CBO expects that all states will participate in NMVTIS. Based on information from the American Association of Motor Vehicle Administrators (AAMVA), we anticipate that this effort will require federal grants of about \$300,000 per titling jurisdiction (the 50 states and Washington, D.C.) and \$6 million for network development and staff coordination expenses, for a total cost of \$21 million over the next five years, subject to appropriation of the necessary amounts. Based on information from AAMVA and DOJ, CBO expects that enacting S. 852 would not have a significant impact on states' participation in NMVTIS. Thus, we estimate that the bill would not have any significant effect on DOJ spending.

Direct Spending and Revenues

Imposing the new civil and criminal fines specified by S. 852 could cause an increase in governmental receipts, but CBO estimates that any such increase would likely be less than \$500,000 annually. Criminal fines are deposited in the Crime Victims Fund and spent in the following year. Thus, any increase in revenues from criminal fines would be matched by an increase in direct spending, with a one-year lag.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act specifies pay-as-you-go procedures for legislation affecting direct spending or receipts. Imposing the new civil and criminal fines contained in S. 852 could result in an increase in both governmental receipts and direct spending, but CBO estimates that any such changes would be less than \$500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 852 contains no intergovernmental mandates as defined in UMRA. It would, however, place additional requirements on states that choose to participate in the National Motor Vehicle Title Information System. The goal of NMVTIS is to build a national information network that will allow states to share information about motor vehicle titles. A state accepting federal funds to help it link to the network could face additional costs if its existing

regulations and procedures for inspecting and titling salvage, rebuilt, and flood-damaged vehicles differ from the federal standards.

Under the bill, if a state accepted federal funds to participate in NMVTIS but did not come into compliance with the requirements in the bill by a specified time, its laws would be preempted to the extent that they were inconsistent with the bill's requirements. A state could avoid a preemption of its laws by placing a notice of its non-compliance on the titles and ownership certificates that it issues. Because any preemption would result from states choosing to accept federal funds and then not coming into conformity with the federal standards, CBO would not consider it an intergovernmental mandate.

Every state has different procedures currently in place for regulating salvage and rebuilt vehicles and each would face different costs depending on the extent to which it chose to modify its system to conform to the federal standards. For some states, the changes would be mostly administrative and would involve activities such as modifying the position of information on vehicle titles, printing new forms, and adopting changes to definitions and procedures for handling titles. These states would face modest one-time costs to bring their regulations and procedures into conformity.

Costs in states that chose to establish new procedures or systems would be higher and would include both these one-time costs and new annual operating expenses. For example, many states do not issue titles to nonrepairable, or junk, vehicles and may choose to begin doing so when they participate in NMVTIS. Some states would have to expand their anti-theft inspection programs to meet the uniform standards. Costs for these states could reach into the millions of dollars, and it is unclear whether states would be able to use the grant money available to them for NMVTIS to help offset these costs.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 852 would impose a new federal private-sector mandate on sellers of rebuilt salvage vehicles and would change an existing mandate on junk yard operators, salvage yard operators, and insurance carriers. Based on information provided by government and industry sources, CBO estimates that the direct costs of these private-sector mandates would not exceed the annual threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation) in any year over the next five years. The bill also would impose new requirements on the private sector in states receiving grants to support their participation in the National Motor Vehicle Title Information System.

S. 852 would require persons transferring ownership of rebuilt salvage vehicles to give the transferee a written disclosure that the vehicle is a rebuilt salvage vehicle, when such person has actual knowledge of the status of the vehicle. CBO estimates that the costs of this new mandate would be minimal.

S. 852 would modify an existing mandate on junk yard operators, salvage yard operators, and insurance carriers. Under current law, these entities are required to include an inventory of junk and salvage automobiles in their monthly reports to the operator of the NMVTIS. Under S. 852, they would be required to include an inventory of salvage, nonrepairable, and rebuilt salvage vehicles in their reports. Based on information provided by the private sector, CBO estimates that the direct costs of the new mandate would probably be less than the costs of the existing mandate.

In addition, the bill outlines requirements for states receiving funds under the NMVTIS. If states receive grants under that program, additional requirements would be imposed on the private sector related to the titling and labeling of rebuilt salvage vehicles, the certification of nonrepairable vehicles, the labeling and disclosure of flood vehicles, and the disclosure of damage to salvage vehicles. CBO expects that the costs of those requirements would be small.

PREVIOUS CBO ESTIMATE

On August 8, 1997, CBO prepared a cost estimate for H.R. 1839, the National Salvage Motor Vehicle Consumer Protection Act of 1997, as ordered reported by the House Committee on Commerce on July 23, 1997. That bill would preempt the laws of states participating in NMVTIS if those laws were not consistent with the requirements in the bill. Under H. R. 1839, states could not accept federal funds for NMVTIS without either changing their standards and procedures or having them preempted by federal law. Therefore, CBO estimated that only a quarter of the states would choose to participate in the program, and that, as a result, DOJ would save approximately \$15 million over the first five years after enactment. S. 852 would only require that states admit they are not in compliance and would not prohibit federal funding. Therefore, CBO assumes most states would still be eligible for federal grants under S. 852, and we do not estimate any significant savings for DOJ under this bill.

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