CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 16, 2004

S. 1978
Surface Transportation Safety Reauthorization Act of 2003

As reported by the Senate Committee on Commerce, Science, and Transportation on November 25, 2003

SUMMARY

CBO estimates that implementing S. 1978 would cost $21 billion over the 2004-2009 period, assuming appropriation action consistent with the bill. We also estimate that the direct spending and revenue effects of enacting the bill would have no significant net budgetary impact over 10 years.

S. 1978 would extend the authority for programs administered by the National Highway Traffic Safety Administration and the Federal Motor Carrier Safety Administration. For the highway traffic safety programs, the bill would authorize the appropriation of about $3 billion over the 2004-2009 period, and it would provide about $1.4 billion in contract authority (the authority to incur obligations in advance of appropriations) over the same period. For the motor carrier safety programs, S. 1978 would provide almost $3 billion in contract authority over the 2004-2009 period.

Consistent with the Balanced Budget and Emergency Deficit Control Act, CBO assumes that the contract authority for these highway traffic and motor carrier safety programs would continue at the same rate provided immediately before the programs expire in 2010. Hence, this estimate includes an additional $781 million in contract authority in each year over the 2010-2013 period.

Title V of S. 1978 would revise the formula used to distribute excise taxes and other collections in the Aquatic Resources Trust Fund (ARTF) among federal agencies and states. The change in allocations among the various ARTF programs would have no net impact on federal spending.

In addition, S. 1978 would authorize the appropriation of $14.8 billion for rail transportation programs over the 2004-2009 period and almost $171 million for programs to improve the

transportation of hazardous materials over the same period. Finally, S. 1978 would increase the amount of fees collected from shippers and carriers of hazardous materials (hazmat) and then spent on grants to emergency responders.

S. 1978 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of those mandates would fall significantly below the threshold for intergovernmental mandates as defined by that act ($60 million in 2004, adjusted annually for inflation). The remaining provisions of the bill would benefit states by providing grants; any costs to states to participate in those programs would be incurred voluntarily.

S. 1978 contains numerous mandates as defined in UMRA that would affect private-sector entities in the transportation industry—manufacturers of motor vehicles, tire manufacturers, motor carriers, shippers and carriers of hazardous materials, and businesses involved in the transportation of household goods. CBO cannot determine the total cost of mandates in the bill because several of the requirements established by the bill would depend on future regulatory action for which information is not available. However, based on information from government and industry sources, CBO estimates that the aggregate cost of private-sector mandates in the bill would exceed the annual threshold established in UMRA ($120 million in 2004, adjusted annually for inflation) in at least one of the first five years the mandates are in effect. That conclusion is based on our analysis of the new safety standards for motor vehicles and tires in the bill that would impose substantial costs on those industries.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1978 is summarized in Table 1. The costs of this legislation fall within budget function 400 (transportation).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF S. 1978

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	3,175	3,191	3,221	2,894	2,922	2,590
Estimated Outlays	2,736	3,329	3,575	3,740	3,849	3,760
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	39	50	65	82	87	127
Estimated Outlays	1	-25	-14	1	3	8
CHANGES IN REVENUES						
Estimated Revenues	1	1	1	1	1	1

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1978 will be enacted about halfway through fiscal year 2004. We also assume appropriation action consistent with the authorization and contract authority levels in the bill. Estimates of outlays are based on historical spending patterns of the safety, rail, and hazardous materials programs. CBO estimates that implementing S. 1978 would cost about $21 billion over the 2004-2009 period. In addition, we estimate that enacting S. 1978 would have a small net impact on direct spending and revenues over the 2004-2013 period.

Spending Subject to Appropriation

Over the 2004-2009 period, S. 1978 would authorize the appropriation of about $18 billion for highway traffic and motor carrier safety, rail transportation, and hazmat safety programs. Over the same period, the bill would provide almost $4.4 billion in contract authority for certain highway traffic and motor carrier safety programs. S. 1978 also would require background searches on certain motor carrier operators, and it would require the Department of Transportation (DOT) to conduct several studies. Assuming appropriation action consistent with the authorizations and contract authority specified in the bill and assuming the appropriation of amounts necessary to cover the background checks and studies, CBO estimates that implementing S. 1978 would cost $21 billion over the 2004-2009 period (see Table 2).

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION FOR S. 1978

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Highway Traffic Safety Programs						
Estimated Authorization Level [a]	450	461	489	511	539	557
Estimated Outlays	317	543	637	720	756	790
Motor Carrier Safety Programs						
Estimated Authorization Level	0	3	3	3	3	3
Estimated Outlays	259	479	489	500	503	520
Rail Transportation Programs						
Estimated Authorization Level	2,700	2,700	2,700	2,350	2,350	2,000
Estimated Outlays	2,140	2,280	2,420	2,490	2,560	2,420
Hazmat Safety Programs						
Estimated Authorization Level	25	27	29	30	30	30
Estimated Outlays	20	27	29	30	30	30
Total Changes						
Estimated Authorization Level	3,175	3,191	3,221	2,894	2,922	2,590
Estimated Outlays	2,736	3,329	3,575	3,740	3,849	3,760

a. Under current law, most budget authority for highway traffic and motor carrier safety programs is provided as contract authority, a mandatory form of budget authority. Outlays from these programs, however, are subject to obligation limitations contained in appropriation acts and are therefore discretionary. S. 1978 would provide contract authority for many of these safety programs, but for certain highway traffic safety programs, S. 1978 also would authorize the appropriation of discretionary funds.

Highway Traffic Safety Programs. S. 1978 would provide $1.4 billion in contract authority for highway traffic safety programs over the 2004-2009 period. In addition, the bill would authorize the appropriation of about $3 billion over this period. Under current law, all spending on highway traffic safety programs is considered discretionary because it is controlled by annual limitations on obligations set in appropriations acts. For this estimate, CBO assumes appropriation action will continue to limit spending on these programs. We estimate that implementing these provisions of the bill would cost about $3.8 billion over the 2004-2009 period.

S. 1978 would require DOT to conduct several studies and report its findings to the Congress. The bill would require the department to complete periodic evaluations of state programs to improve highway safety, and CBO estimates that this requirement would cost about $2 million every three years.

Motor Carrier Safety Programs. S. 1978 would provide almost $3 billion in contract authority for motor carrier safety programs over the 2004-2009 period. Under current law, all spending on motor carrier safety programs is considered discretionary because it is controlled by annual limitations on obligations set in appropriations acts. For this estimate, CBO assumes appropriation action will continue to limit spending on these programs. We estimate that implementing these provisions of the bill would cost $2.75 billion over the 2004-2009 period.

In addition to providing contract authority for motor carrier safety programs, S. 1978 would require the federal government to conduct background checks on motor carrier operators who are based in another country but transport hazardous materials within the United States. Based on information from federal agencies, the Canadian government, and industry associations, CBO estimates that each background check would cost about $100 and that around 25,000 motor carriers would require background checks each year. CBO estimates that implementing this requirement would cost $3 million each year beginning in fiscal year 2005.

Rail Transportation Programs. S. 1978 would authorize the appropriation of $14.8 billion over the 2004-2009 period for rail transportation programs. Based on historical spending patterns for these programs, CBO estimates that implementing this provision would cost about $14.3 billion over the 2004-2009 period. S. 1978 also would require DOT to determine the benefits to the public from certain rail projects. CBO estimates this study would cost less than $500,000 in fiscal year 2004.

Hazmat Safety Programs. S. 1978 would authorize the appropriation of about $171 million for hazmat safety programs over the 2004-2009 period. CBO estimates implementing this provision would cost $166 million over the same period. S. 1978 also would require the department to assess the impact of federal laws and regulations on people who decide against transporting hazardous materials. CBO estimates that this study would cost less than $500,000 in fiscal year 2004.

Direct Spending and Revenues

S. 1978 would provide contract authority for certain highway traffic and motor carrier safety programs; however, CBO assumes that the outlays for these programs would continue to be controlled by appropriation action and therefore would be discretionary. S. 1978 also would make certain changes to emergency preparedness fees and grants, and we estimate that those provisions would reduce direct spending by $41 million over the 2005-2006 period and increase such spending in subsequent years. S. 1978 would establish a new federal program for registering motor carrier operators. Although this program would require the federal government to collect fees and provide grants each year, CBO estimates that the net budgetary impact of this program would not be significant. Finally, S. 1978 would increase certain civil and criminal penalties as well as establish new penalties. CBO estimates that these provisions would increase revenues by about $10 million over the 2004-2013 period and add $5 million to direct spending over the same period. Table 3 shows the estimated effects on direct spending and revenues.

Highway Traffic and Motor Carrier Programs. S. 1978 would provide almost $7.5 billion in contract authority, a form of mandatory budget authority, for certain highway traffic and motor carrier safety programs over the 2004-2013 period. The Balanced Budget and Emergency Deficit Control Act specifies that an expiring mandatory program with current-year outlays in excess of $50 million be assumed to continue at the program level in place when it is scheduled to expire. Following this assumption, under S. 1978, CBO projects $781 million in contract authority for those safety programs each year beginning in 2010.

The 2004 budget resolution baseline projects an annual level of contract authority for all highway traffic and motor carrier safety programs of $655 million and a total level of contract authority for those programs of $6.55 billion over the 2004-2013 period. Thus, S. 1978 would provide almost $1 billion in contract authority above the baseline level over the 2004-2013 period, consisting of nearly $1.5 billion of contract authority above baseline assumptions for Motor Carrier Safety Programs and about $0.5 billion less for Highway Traffic Safety Programs.

In addition to providing contract authority for the motor carrier safety programs, S. 1978 would establish a new federal program for registering operators of motor carriers. Under this program, each state would collect fees from motor carrier operators and provide those fees to the federal government. The federal government would use the fees to provide grants to states for improving the safety of motor carriers. CBO estimates the federal government would collect and spend between $25 million and $30 million each year under the new program; however, because the government is likely to spend the grants very quickly, CBO estimates the net budgetary impact of establishing this program would not be significant.

TABLE 3. ESTIMATED EFFECTS ON DIRECT SPENDING AND REVENUES UNDER S. 1978

	By Fiscal Year, in Millions of Dollars									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DIRECT SPENDING										
Baseline Spending for Safety and Rail Transportation Programs										
Estimated Budget Authority	655	655	655	655	655	655	655	655	655	655
Estimated Outlays	0	0	0	0	0	0	0	0	0	0
Proposed Changes:										
Highway Traffic Safety Programs										
Estimated Budget Authority	-77	-73	-68	-62	-43	-40	-40	-40	-40	-40
Estimated Outlays	0	0	0	0	0	0	0	0	0	0
Motor Carrier Safety Programs										
Estimated Budget Authority	115	122	132	143	129	166	166	166	166	166
Estimated Outlays	0	0	0	0	0	0	0	0	0	0
Hazmat Safety Programs										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-26	-15	0	2	7	12	11	5	4
Crime Victims Fund										
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1
Estimated Outlays	1	1	1	1	1	1	1	1	1	1
Total Changes										
Estimated Budget Authority	39	50	65	82	87	127	127	127	127	127
Estimated Outlays	1	-25	-14	1	3	8	13	12	6	5
Direct Spending Under S. 1978 for Safety Programs										
Estimated Budget Authority	694	705	720	737	742	782	782	782	782	782
Estimated Outlays	1	-25	-14	1	3	8	13	12	6	5
CHANGES IN REVENUES										
Estimated Revenues	1	1	1	1	1	1	1	1	1	1

Hazmat Safety Programs. Under current law, DOT collects fees from shippers and carriers of hazardous materials. The department also provides grants to emergency responders for training and planning activities related to the transportation of hazardous materials. CBO estimates that DOT will collect and spend $14 million each year over the 2004-2013 period for this activity. S. 1978 would increase that amount to $28 million each year; however, because the department is likely to collect the increase in fees at a different rate than it will spend the increase, CBO estimates those changes would decrease direct spending by $41 million over the 2005-2006 period and then increase direct spending by the same amount over the 2007-2013 period. In total, CBO estimates that the net impact of changes to the fees and grants would not be significant over the next 10 years.

Revenues. The bill would raise the maximum civil and criminal penalty amounts imposed on individuals for violations of certain regulations relating to motor carriers, movers of household goods, and transportation of hazardous materials. In addition, the bill would establish several new civil and criminal penalties for various other transportation safety violations. In total, CBO estimates that doing so would increase governmental receipts by $1 million in 2004 and about $10 million over the 2004-2013 period. Half of these amounts would result from civil penalties, and half would result from criminal penalties. Collections of civil penalties are recorded in the budget as revenues. Criminal penalties are recorded as revenues then deposited in the Crime Victims Fund and later spent, thus the net impact on the budget would be negligible.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1978 contains several intergovernmental mandates as defined in UMRA. Although CBO cannot determine the exact cost of all of the mandates in the bill, we estimate that their aggregate cost would fall significantly below the threshold established in that act ($60 million in 2004, adjusted annually for inflation).

Intergovernmental Mandates

Unified Carrier Registration System. The bill would terminate the Single State Registration System and replace it with the Unified Carrier Registration System (UCR), an online, streamlined system for states to continue to collect information and fees from covered motor carriers. UCR would require private and agricultural carriers to comply with the federal registration and insurance requirements, potentially increasing the administrative and enforcement burdens of states. Such an increase in burden would be an intergovernmental mandate as defined in UMRA. On balance, CBO expects that states would incur few additional costs and would benefit from efficiencies generated by the online system, particularly after the initial years.

The addition of private and agricultural carriers to the registration system also would preempt states' limited authority to register and tax motor carriers outside of a federal registration system. Under current law, states may register and tax private and agricultural motor carriers —classes of carriers exempt from federal registration and financial responsibility requirements. However, according to state and industry sources, the nonparticipating states (there are currently 12) collect a minimal amount of revenue from private and agricultural carriers. Losses resulting from this preemption thus would be small.

CBO assumes that the proposed system would, at a minimum, result in collections that equal the estimated $123 million revenue collected annually by the 38 states currently participating in SSRS. Further, the governing board of UCR would establish a fee structure to provide a minimum amount of administrative revenue to any newly participating state.

In addition, according to the Federal Motor Carrier Safety Administration (FMCSA), the Secretary may require states to collect certain federal fees from motor carriers. Under current law, motor carriers pay a registration fee to the federal government for operating authority. FMCSA uses those fees to fund various motor carrier grant programs for the states. Under this unified registration system, states would forward those collections, approximately $25 million to $30 million to the federal government.

Finally, the proposed system would preempt states' authority to require commercial vehicles to display certain forms of identification in addition to those required by DOT. CBO estimates that this preemption would not affect states' budgets because, while it would limit the application of state standards to commercial motor vehicles, it would impose no duty on states that would result in additional spending.

CDL Learner's Permit. Section 225 would expand an existing mandate that requires states to operate a Commercial Drivers License (CDL) program by requiring them to issue learner's permits for commercial drivers. If states do not comply with the federal requirements for licensing commercial drivers, they would be prohibited from issuing CDLs. According to state sources, at least two-thirds of the states already issue learner's permits for commercial drivers, although some of them issue such permits in a paper format that would have to be upgraded under the bill's requirements. CBO estimates that because most states' current systems would meet the requirements of the bill, additional costs would not be large. Furthermore, newly permitting states would likely recover a significant portion of their costs through fees.

Other Impacts

While the remainder of S. 1978 contains no intergovernmental mandates, many provisions contain conditions of aid or requirements for participating in voluntary federal programs. Any additional costs to states from those provisions would be incurred voluntarily.

In addition, states that participate in federal programs to enforce commercial motor vehicle and highway safety regulations receive various forms of federal assistance to do so, including grants from the Motor Carrier Safety Assistance Program and other monies from the Highway Trust Fund.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1978 contains numerous mandates as defined in UMRA that would affect private-sector entities in the transportation industry—manufacturers of motor vehicles, tire manufacturers, motor carriers, shippers and carriers of hazardous materials, and businesses involved in the transportation of household goods. CBO cannot determine the total cost of mandates in the bill because several of the requirements established by the bill would depend on future regulatory action for which information is not available. However, based on information from government and industry sources, CBO estimates that the aggregate cost of private-sector mandates in the bill would exceed the annual threshold established in UMRA ($120 million in 2004, adjusted annually for inflation) in at least one of the first five years the mandates are in effect. That conclusion is based on our analysis of the new safety standards for motor vehicles and tires in the bill that would impose substantial costs on those industries.

Motor Vehicle Safety

S. 1978 would impose numerous mandates addressing motor vehicle safety. The most costly mandates would require manufacturers of motor vehicles to undertake modifications and structural changes to motor vehicles and manufacturers of tires to incur large one-time costs for additional test equipment to comply with new safety standards.

Safety Standards for Motor Vehicles. Provisions in the bill affecting safety standards include two mandates with identifiable costs, three with undetermined costs because the costs would depend on future rulemaking, and one potential mandate that would depend on a determination by the Secretary of Transportation.

Section 153 would require manufacturers of new passenger motor vehicles sold in the United States with a gross vehicle weight of up to 10,000 pounds to make certain modifications to those vehicles that the Secretary determines are necessary to prevent occupant ejection in vehicle accidents. The required modifications would be on door locks, door latches, and other retention components of doors in vehicles. According to information from industry and government representatives, about 16 million to 17 million passenger vehicles would be affected annually at a cost of less than $1 per vehicle. Thus, the compliance cost would amount to less than $17 million annually.

Section 152 would require manufacturers of new light-duty trucks to establish and attach a label to each light-duty truck produced after September 30, 2005, and sold in the United States. The label must contain a statement of the vehicle's maximum weight carrying capacity. Manufacturers produce between eight million and nine million light-duty trucks each year for the U.S. market. Based on information from industry and government sources, the cost per vehicle to affix such a label could be as low as $1 per vehicle or as much as $3 per vehicle. The cost to comply with this mandate would be at least $9 million annually.

In addition, the bill would impose the following mandates on manufacturers of motor vehicles with a gross weight of 10,000 pounds or less.

- Section 158 would require that manufacturers of 15-passenger vans and passenger motor vehicles comply with new safety standards for occupant protection (seat belts and air bags) and vehicle crash avoidance (such as brakes, headlights, and tires). According to industry representatives, the new safety standards would affect more than 300,000 vehicles manufactured annually.

- Section 156 would require the National Highway Traffic Safety Administration (NHTSA) to issue safety regulations addressing bumper height, vehicle weight, and other characteristics. Regulations would be designed to improve management of crash forces to decrease occupant deaths and injuries in multiple vehicle frontal- and side-impact crashes of passenger vehicles of different types, sizes, and weights.

- Section 157 would require the manufacturers of passenger motor vehicles to make changes to comply with rollover crashworthiness standards. According to industry representatives, these changes would apply to 17 million vehicles manufactured annually.

The cost to comply with the above three mandates would depend on the details of future regulations. Manufacturers could incur substantial costs if the implementing regulations require them to make structural changes to vehicles to comply with new safety standards.

Section 160 would require the Secretary to issue a final rule if he determines it necessary to require new vehicles to install technologies that encourage the use of seat belts. According to NHTSA's publication, "Initiatives to Address Safety Belt Use," issued in July 2003, the agency currently encourages manufacturers to voluntarily install enhanced safety belt reminder systems on all vehicles and would continue to do so under the bill. If enough manufacturers do not install such systems voluntarily, however, NHTSA would issue a rule making the requirement mandatory. Currently, more than half of the new vehicles have some type of enhancement to encourage the use of seat belts. If the Secretary determines that it is necessary to mandate the installation of such technologies, CBO estimates that the incremental cost to the manufacturers would range from $2 million to $24 million annually. The incremental cost to the industry would depend on the number of vehicles not in compliance at the time such a rule went into effect.

Safety Standards for Tires. Manufacturers of tires would be required to comply with new safety performance criteria, such as strength and road hazard protection, for certain radial tires produced for light vehicles (automobiles and light-duty trucks). Based on information from industry and government representatives, CBO estimates that the start-up costs to comply with the mandate would be about $70 million. The ongoing cost of compliance would be lower in subsequent years.

Unified Carrier Registration

Under title II, private motor carriers and exempt motor carriers would be required to pay a new federal registration fee under the UCR. A private carrier is a person who is the owner of the property being transported for a commercial enterprise that includes manufacturers, distributors, and retailers. Exempt carriers are those operating only in specific urban areas, carrying agricultural products, and intermodal carriers. Currently, only for-hire carriers (persons providing motor vehicle transportation for compensation) pay a federal registration fee. Based on government and industry sources, CBO estimates that the private and exempt motor carriers would be required to pay $20 million annually.

Registration fees for Transporting Hazardous Materials

Section 428 would increase registration fees on persons transporting (or causing to be transported in commerce) certain hazardous material. CBO estimates that the increase in those fees for carriers and shippers of hazardous materials would be $15 million annually for 2003 through 2006 and $13 million for 2007.

Household Goods Transportation Reform

The bill also may impose private-sector mandates on persons engaged in the transportation of household goods in interstate or foreign commerce including requirements that movers:

- Provide customers written estimates of moving charges;

- Supply customers with two DOT publications, "Ready to Move?" and "Your Rights and Responsibilities When You Move"; and

- Provide written notification of charges prior to shipment delivery (in certain cases) unless such notification is waived by the customer.

An interim final rule containing regulations on the transportation of household goods was issued on June 11, 2003, however, the compliance date was delayed on September 30, 2003, because FMCSA received several comments from the industry. The requirements in title III are substantially similar to many of the requirements of the interim final rule. According to information from the FMCSA, the compliance date of the rule would likely be reinstated at some time in the future. However, they do not know the date of reinstatement or the details of the rule as it would be reinstated. As a result, CBO cannot determine whether provisions in this section would impose incremental requirements (mandates) on the private sector.

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