CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 26, 2005

Surface Transportation Safety Improvement Act of 2005

As reported by the Senate Committee on Commerce, Science, and Transportation on April 14, 2005

SUMMARY

CBO estimates that implementing the Surface Transportation Safety Improvements Act of 2005 would cost $5.5 billion over the 2006-2010 period, assuming appropriation action consistent with the bill. We further estimate that enacting the bill would increase direct spending by about $40 million over the same period and by about $100 million through fiscal year 2015. Finally, CBO estimates that enacting this legislation would increase revenues by $1 million a year over the next 10 years.

The bill would extend the authority for programs administered by the National Highway Traffic Safety Administration (NHTSA), the Federal Motor Carrier Safety Administration and certain hazardous material transportation programs. For such programs, the bill would authorize the appropriation of $927 million over the 2006-2010 period. The bill also would provide about $2.9 billion in contract authority (the authority to incur obligations in advance of appropriations) over the 2006-2009 period for highway traffic safety programs and $2 billion in contract authority over the same period for motor carrier safety programs.

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 2009. Therefore, this estimate includes an additional $550 million in contract authority in each year over the 2010-2015 period.

Title V would make the balances in the boat safety account of the Aquatic Resources Trust Fund (ARTF) available to be spent without further appropriation. Spending of amounts in that account are currently subject to appropriation. We estimate that making balances in the boat safety account available without appropriation would increase direct spending by $8 million in fiscal year 2006, by $76 million over the 2006-2010 period, and by $97 million over the 2006-2015 period. (New spending from the Crime Victims Fund would account for

additional direct spending of between $500,000 and $1 million a year over the next 10 years, stemming from increased revenues for new criminal penalties.)

This bill 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 established by that act ($62 million in 2005, adjusted annually for inflation). The remaining provisions of the bill would benefit states by reauthorizing existing grant programs and creating new grant programs. Any costs to states to participate in those programs would be incurred voluntarily.

The bill contains numerous mandates as defined in UMRA that would affect private-sector entities in the transportation industry—manufacturers of motor vehicles, motor carriers, shippers and carriers of hazardous materials, and businesses involved in the transportation of household goods. CBO cannot determine whether the aggregate cost of the private-sector mandates in the bill would exceed the annual threshold established in UMRA ($123 million in 2005, adjusted annually for inflation) because some of the requirements established by the bill would hinge on future regulatory action, about which information is not available.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this legislation is summarized in Table 1. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 400 (transportation).

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted by May 30, 2005, the date the current authorization for safety programs expires. 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 similar existing programs.

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF THE SURFACE TRANSPORTATION SAFETY IMPROVEMENT ACT OF 2005

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	207	211	224	239	46
Estimated Outlays	709	1,258	1,373	1,485	679
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	494	515	537	563	569
Estimated Outlays	9	-10	5	18	20
CHANGES IN REVENUES					
Estimated Revenues	1	1	1	1	1

Spending Subject to Appropriation

CBO estimates that the bill would authorize the appropriation of $927 million for highway traffic, motor carrier, and hazmat safety programs over the 2006-2010 period. Over the same period, the bill would provide $4.9 billion in contract authority for certain highway traffic and motor carrier safety programs. In addition, the bill also would require the Department of Transportation (DOT) to complete various studies and periodic evaluations of state highway safety programs. Assuming appropriation action consistent with the authorizations and contract authority specified in the bill and assuming appropriation of amounts necessary to complete studies and program evaluations, CBO estimates that implementing these provisions would cost $5.5 billion over the 2006-2010 period (see Table 2).

Highway Traffic Safety Programs. The legislation would provide about $2.9 billion in contract authority for highway traffic safety programs over the 2006-2009 period. In addition, the bill would authorize the appropriation of $744 million 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 that appropriation action will continue to limit spending on these programs. We estimate that implementing these provisions of the bill would cost about $3.4 billion over the 2006-2010 period.

Section 222 would require NHTSA to perform periodic management reviews of state highway safety programs. CBO estimates that conducting the studies and periodic evaluations of state transportation safety programs would cost about $2 million every three years.

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER THE SURFACE TRANSPORTATION SAFETY IMPROVEMENT ACT OF 2005

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Highway Traffic Safety Programs					
Estimated Authorization Level [a]	174	173	186	201	9
Estimated Outlays	432	726	829	929	477
Motor Carrier Safety Programs					
Estimated Authorization Level	1	1	1	1	0
Estimated Outlays	255	496	508	519	165
Hazmat Safety Programs					
Estimated Authorization Level	32	37	37	37	37
Estimated Outlays	22	35	37	37	37
Total Changes					
Estimated Authorization Level	207	211	224	239	46
Estimated Outlays	709	1,258	1,373	1,485	679

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. The bill would provide contract authority for many of these safety programs, but for certain highway traffic safety programs, it also would authorize the appropriation of discretionary funds.

Motor Carrier Safety Programs. The bill would provide about $2 billion in contract authority for motor carrier safety programs over the 2006-2009 period. In addition, the bill would authorize the appropriation of $4 million over this period for program outreach and education efforts. 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 about $1.9 billion over the 2006-2010 period.

Hazmat Safety Programs. The bill would authorize the appropriation of $180 million for hazmat safety programs over the 2006-2010 period. CBO estimates that implementing this provision would cost $168 million over that period. The bill 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 2006.

Direct Spending and Revenues

Table 3 summarizes the estimated effects on direct spending and revenues. The bill 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.

The bill also would make funds available without further appropriation for boat safety and sport fish restoration programs. Additionally, it 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 by an equal amount in subsequent years. Other changes under the bill would have a net negligible effect on the budget, such as establishing a new federal program for registering motor carrier operators and authorizing the collection and spending of fees for modernizing the commercial driver's license information system.

The bill 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 2006-2015 period and would increase direct spending by about half that amount over the same period.

TABLE 3. ESTIMATED EFFECTS ON DIRECT SPENDING AND REVENUES UNDER THE SURFACE TRANSPORTATION SAFETY IMPROVEMENT ACT OF 2005

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Baseline Spending for Safety Transportation Programs										
Estimated Budget Authority	721	721	721	721	721	721	721	721	721	721
Estimated Outlays	0	0	0	0	0	0	0	0	0	0
Proposed Changes:										
Highway Traffic Safety Programs										
Estimated Budget Authority	402	417	434	452	452	452	452	452	452	452
Estimated Outlays	0	0	0	0	0	0	0	0	0	0
Motor Carrier Safety Programs										
Estimated Budget Authority	63	75	85	98	98	98	98	98	98	98
Estimated Outlays	0	0	0	0	0	0	0	0	0	0
Spending of Boat Safety Balances										
Estimated Budget Authority	28	22	17	12	18	0	0	0	0	0
Estimated Outlays	8	15	19	17	17	11	6	2	1	1
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	494	515	537	563	569	551	551	551	551	551
Estimated Outlays	9	-10	5	18	20	19	19	14	7	6
Direct Spending Under the Bill for Safety Programs										
Estimated Budget Authority	1,215	1,236	1,258	1,284	1,290	1,272	1,272	1,272	1,272	1,272
Estimated Outlays	9	-10	5	18	20	19	19	14	7	6
CHANGES IN REVENUES										
Estimated Revenues	1	1	1	1	1	1	1	1	1	1

Highway Traffic and Motor Carrier Programs. CBO's current baseline projects an annual level of contract authority for all highway traffic and motor carrier safety programs of $721 million. Over the 2006-2009 period, the bill would provide about $2 billion in contract authority above the baseline level.

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, CBO projects that, under this legislation, $550 million in contract authority would be available for those safety programs each year beginning in 2010 above the current baseline level.

Thus, over the 2006-2015 period, CBO estimates that the bill would provide $4.4 billion of contract authority above baseline assumptions for Highway Safety Programs and about $0.9 billion more for Motor Carrier Safety Programs.

Spending of Balances in the Boat Safety Account. Title V would make available without further appropriation balances of the boat safety account of the ARTF. Under the bill, the current fund balance of $92 million and $5 million of interest that would be earned after the legislation's enactment would be made available in specified amounts over the 2006-2010 period. Such amounts would be distributed to the U.S. Coast Guard and the U.S. Fish and Wildlife Service for boat safety and sport fish restoration programs carried out under the Dingell-Johnson Sport Fish Restoration Act. CBO estimates that enacting this provision would increase direct spending by $8 million in fiscal year 2006 and by $97 million over the 2006-2015 period.

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 2006-2015 period for this activity. The bill 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 2007-2008 period and then increase direct spending by the same amount over the 2009-2015 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.

Registration of Motor Carriers. In addition to providing contract authority for the motor carrier safety programs, the bill 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 in any year.

Modernization of the Commercial Driver's License Information System. The bill would allow the Department of Transportation to collect and spend certain fees for modernizing the commercial driver's license information system. Currently, such fees are collected by the American Association of Motor Vehicle Administrators on behalf of DOT and spent by that organization for such purposes. Starting in 2007, the bill would allow that any fees collected in excess of the costs of operating the commercial driver's license system would be transferred to the DOT and spent on the modernization plan outlined in the bill. CBO expects that such collections and spending could amount to a few million per year and would have a negligible net effect on the budget.

Revenues and the Crime Victims Fund. 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 2006 and about $10 million over the 2006-2015 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 in each year would be negligible.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

This bill 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 costs would fall significantly below the threshold established by that act ($62 million in 2005, adjusted annually for inflation).

Intergovernmental Mandates

Unified Carrier Registration System. Federal law currently prohibits states from taxing all motor carriers, other than agricultural or private motor carriers, unless they participate in the Single State Registration System (SSRS)—a mandate as defined by UMRA. This bill would terminate the SSRS and replace it with the Unified Carrier Registration System (UCR), an online system under which states would continue to collect information required by the federal government and in turn collect fees from covered motor carriers. While this change would not be a new mandate, it would affect the cost of complying with the existing mandate.

The costs incurred by states to administer and enforce federal registration systems would increase somewhat because the UCR would encompass private and agricultural carriers—classes of carriers now exempt from federal registration and financial responsibility standards. On balance, though, CBO expects that states would incur little additional costs and would benefit from efficiencies generated by the online system, particularly after the initial years.

The addition of private and agricultural carriers also would preempt the limited authority states now have to register and tax these motor carriers outside of a federal registration system. According to state and industry sources, however, states collect only a minimal amount of revenue from these carriers, so losses resulting from this preemption would be small.

CBO assumes that the proposed new system would result in collections at least equal to the amount currently collected by states participating in SSRS. Further, the new fee structure would provide a minimum amount of administrative revenue to any newly participating state.

In addition, according to the Federal Motor Carrier Safety Administration, 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. The administration 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 state 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.

Commercial Driver Learner's Permit. Section 152 would expand an existing mandate that requires states' commercial driver's license programs to comply with federal standards. The section would require states to issue learner's permits for commercial drivers. According to state sources, most states already issue such permits, although some of them issue them in a paper format that would have to be upgraded under the bill's requirements. CBO estimates that the current system in most states would meet the requirements of the bill, however, so additional costs would not be large. Furthermore, newly permitting states would likely recover a significant portion of their costs through fees.

Vehicles purchased by Schools. Section 259 would impose a new intergovernmental mandate by prohibiting schools from purchasing, renting, or leasing 15-passenger vehicles to transport students unless those vehicles comply with standards prescribed for school buses. This mandate would not impose significant additional costs on state, local, or tribal governments, because it is substantially the same as a requirement now imposed on dealers that sell vehicles to schools. The new requirement would apply to purchases of new and used vehicles, however, while the existing requirement applies only to new vehicles.

Other Mandates. The bill includes other provisions that would preempt state regulation of motor carriers and licensing of commercial motor vehicle operators. It would broaden an existing federal preemption of state laws and regulations governing commercial motor vehicle safety, and another concerning transportation of property. It also would give the federal government the authority to overrule a state action to deny a hazardous materials endorsement to a commercial driver's license. These preemptions generally would impose no duties on state, local, or tribal governments that would result in additional costs.

Other Impacts

The bill contains many other provisions that would impose new conditions for receiving federal assistance or new requirements for participating in voluntary federal programs. Any additional costs to states from these provisions would be incurred voluntarily. 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. This bill would reauthorize those grant programs.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains numerous mandates as defined in UMRA that would affect private-sector entities in the transportation industry—manufacturers of motor vehicles, motor carriers, shippers and carriers of hazardous materials, and businesses involved in the transportation of household goods. CBO cannot determine whether the aggregate cost of the private-sector mandates in the bill would exceed the annual threshold established in UMRA ($123 million in 2005, adjusted annually for inflation) because some of the requirements established by the bill would hinge on future regulatory action, about which information is not available.

Safety Standards for Motor Vehicles

The bill would impose numerous mandates addressing motor vehicle safety. Provisions in the bill affecting safety standards include three mandates with small 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.

Safety Labeling Requirement. Section 257 would require that automobile manufacturers add a safety rating regarding impact crash and rollover resistance tests under the New Car Assessment Program on the label that they currently affix to the automobile. According to industry representatives, the incremental cost to add this information to the label would be minimal.

Power Window Switches. Section 258 would require that the Department of Transportation upgrade its standards to require that power windows in motor vehicles weighing not more than 10,000 pounds have switches that raise the window only when the switch is pulled up or out. According to government and industry representatives, several major vehicle manufacturers currently use the push-pull switches across all or part of their model line, therefore, CBO estimates that the cost to comply with this mandate would be small.

Vehicles Purchased by Schools. Section 259 would prohibit a school from purchasing, renting, or leasing 15-passenger vehicles to transport students unless those vehicles comply with standards prescribed for school buses. Under current law, a dealer can sell a vehicle to a school only if it complies with standards for school buses. The new requirement would apply to purchases of new and used vehicles, however, while the existing requirement applies only to new vehicles. CBO estimates that the cost to private schools to comply with this mandate would not be great since it is the same requirement currently imposed on dealers.

The cost to comply with the following two mandates would depend on the details of future regulations:

- **Vehicle Rollover and Crash Mitigation**. Section 251 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 comply with regulations that the Secretary determines are necessary to reduce the death and injuries caused by passenger vehicle rollovers. The rules must reduce rollovers by using new technologies, reduce ejections of passengers from vehicles that do rollover, and protect occupants in rollover accidents.

- **Side-Impact Crash Protection**. Section 252 would require manufacturers of automobiles to comply with standards designed to enhance passenger motor vehicle occupant protection, in all seating positions, in side impact crashes.

Safety Belt Use Reminders. Section 256 would allow NHTSA to require a safety belt use reminder. 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 could 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 could 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.

New Requirements for Private Motor Carriers

Unified Carrier Registration (UCR). Under Section 134, 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 beginning in 2007.

Financial Responsibility for Private Motor Carriers. Section 112 would require private motor carriers to file the same evidence of financial responsibility that is required for for-hire carriers. According to industry sources, most private motor carriers already meet the financial responsibility requirements in this section. CBO expects that the costs of this private-sector mandate would not be great.

Intermodal Equipment Safety Regulations

Section 127 would require the Secretary of Transportation to make safety regulations for intermodal equipment that would be included under the regulations of the Federal Motor Carrier Safety Administration. Intermodal equipment refers to the trailers and container chassis used to haul cargo from one mode of transportation to another. Under the regulations, providers of intermodal equipment would be identified and matched with their equipment by unique identifying numbers. In addition, providers would be required to inspect, repair, and maintain certain intermodal equipment and keep repair and maintenance records. Currently, motor carriers are responsible for the condition of intermodal equipment while it is being used on the highway. The safety regulations described in this section would transfer that responsibility to the provider and would regulate equipment maintenance, which would impose a private-sector mandate on providers of intermodal equipment. The incremental costs to the industry would consist of the cost of applying the numbers for providers, the administrative costs of recordkeeping, and any additional costs of complying with the safety regulations to be set under the bill. CBO has no basis for estimating the costs of complying with the new safety standards.

Requirements for Transporters and Shippers of Hazardous Materials

Section 329 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 2006 through 2008 and $13 million for 2009.

Section 330 would require shippers of hazardous material to retain shipping papers or an electronic format of those papers for three years with the paper or electronic format to be accessible through the shipper's principal place of business during that period. Shipping papers must accompany each hazardous material’s package and they contain information about the materials being transported, emergency contact numbers, and the shipper’s certification. Currently, shippers are required to retain the shipping paper or electronic image for one year. CBO estimates that the direct cost to retain such information for two additional years would be minimal.

Household Goods Transportation Reform

The bill also would impose private-sector mandates related to consumer protection on persons engaged in the transportation of household goods in interstate or foreign commerce.

Based on information from government sources, CBO estimates that the costs of those mandates would be small. The bill would require that movers:

- Supply customers with the DOT publication, "Ready to Move?" at the time that a written estimate is provided;

- Conduct a visual inspection of the household goods to be transported and provide a revised written estimate if the estimated charges are different from an earlier nonbinding written estimate that was done without a visual inspection;

- Comply with additional requirements for registration, including providing DOT with written evidence of participation in an arbitration program, identifying their tariff and providing a copy of the notice of the availability of that tariff for inspection, and providing evidence of their knowledge of and compliance with regulations related to consumer protection; and

- Disclose information regarding business relationships with any other motor carrier, freight forwarder, or broker of household goods within the previous three years of the time of disclosure.

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