



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 25, 2008

H.R. 3754

A bill to authorize the Administrator of the Environmental Protection Agency to accept, as part of a settlement, diesel emission reduction Supplemental Environmental Projects, and for other purposes

*As ordered reported by the House Committee on Energy and Commerce
on March 13, 2008*

CBO estimates that enacting H.R. 3754 would have no significant impact on the federal budget. Enacting the legislation could affect revenues; however, CBO estimates that any such impact would be insignificant.

H.R. 3754 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

According to the Environmental Protection Agency (EPA), most environmental violations by businesses or individuals are resolved through settlement agreements. As part of a settlement, an alleged violator may voluntarily agree to undertake an environmentally beneficial project related to the violation in exchange for a reduction in civil monetary penalties. Such projects are known as supplemental environmental projects (SEPs). Civil penalties are recorded on the budget as miscellaneous receipts (revenues).

Under EPA's SEP policy, if the agency receives a specific appropriation for grants under the Diesel Emission Reduction Act (DERA), the agency may no longer agree to diesel SEPs as part of any enforcement settlement. Because the DERA grant program was appropriated about \$50 million in 2008, EPA cannot agree to any diesel SEPs during 2008.

H.R. 3754 would allow EPA to accept diesel emission reduction SEPs as part of a settlement of any alleged violations of environmental laws under certain conditions. To the extent the diesel SEPs permitted under this legislation would decrease the amount of penalties that otherwise would have been deposited in the Treasury, the federal government would realize some loss of revenues. However, based on information from EPA, CBO expects that in most

cases, the diesel SEPs would displace other types of SEPs within a particular settlement agreement. Thus, we estimate that any loss of revenues would be less than \$500,000 annually.

On February 25, 2008, CBO transmitted a cost estimate for S. 2146 as ordered reported by the Senate Committee on Environment and Public Works on February 6, 2008. That bill is identical to H.R. 3754, and thus the cost estimates are the same.

The CBO staff contact for this estimate is Susanne S. Mehlman. This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.