



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 23, 2010

S. 3302
Motor Vehicle Safety Act of 2010

*As ordered reported by the Senate Committee on Commerce, Science,
and Transportation on June 9, 2010*

SUMMARY

S. 3302 would authorize the appropriation of an estimated \$782 million over the 2011-2015 period for the National Highway Traffic Safety Administration (NHTSA) to establish new safety standards for certain vehicles, complete safety research, and make certain information more readily available to the public. Assuming appropriation of the specified amounts and the amounts estimated to be necessary, CBO estimates that implementing the bill would cost \$761 million over the 2011-2015 period.

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.

S. 3302 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 by 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 and used car dealerships, S. 3302 would impose private-sector mandates, as defined in UMRA. The cost of several of the mandates related to vehicle motor safety would depend on future regulations. However, because the requirements would apply to a large number of vehicles intended for sale in the United States each year, CBO estimates that the total cost of the mandates would probably exceed the annual threshold (\$141 million in 2010, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3302 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	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION^a						
Estimated Authorization Level	214	252	292	12	12	782
Estimated Outlays	124	204	259	122	52	761

a. CBO estimates that enacting S. 3302 also would increase revenues by \$1 million a year over the 2011-2020 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 3302 will be enacted in 2010 and that the authorized amounts will be appropriated each year. Estimates of spending are based on historical spending patterns for similar programs.

Spending Subject to Appropriation

S. 3302 would authorize appropriations of \$780 million over the 2011-2015 period for certain NHTSA operations. CBO estimates that an additional \$2 million would be necessary to carry out a rulemaking to require hybrid and electric vehicles to generate sounds. The bill would require NHTSA to create new regulations and to update certain safety regulations that are applied to motor vehicles. The agency would be required to complete new research and expedite other research on several topics related to the safety of motor vehicles, including research on detecting alcohol use by drivers. NHTSA also would be required to make certain information more readily available to the public, expand the capabilities of an existing telephone call center, and submit several new reports to the Congress. Based on information from NHTSA and assuming appropriation of the amounts specified and estimated to be necessary, CBO estimates that implementing those provisions would cost about \$761 million over the 2011-2015 period.

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 of violations, 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 S. 3302 as ordered reported by the Senate Committee on Commerce, Science, and Transportation on June 9, 2010

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

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 3302 contains an intergovernmental mandate as defined in UMRA because it would preempt state laws relating to the safety standards for motor vehicles required by 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 and used car dealerships, S. 3302 would impose private-sector mandates, as defined in UMRA. The cost of several of the mandates related to vehicle motor safety would depend on future regulations. However, because the requirements would apply to a large number of vehicles intended for sale in the United States per year, CBO estimates that the total cost of the mandates would probably exceed the annual threshold (\$141 million in 2010, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

Safety Standards for Passenger Motor Vehicles

The bill would direct NHTSA to establish safety standards for such things as the configuration and labeling of gear shift controls, the control of vehicles with push-button ignition systems, and fail-safe systems for accelerator control systems. NHTSA estimates that the safety standards would apply to 12 million to 17 million passenger motor vehicles 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 and in all medium-duty and heavy-duty vehicles by model year 2017. 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 passenger car manufacturer \$6 million in development costs and \$5.50 per vehicle to install EDRs that meet existing standards. Most passenger cars now produced already include EDRs. However, EDRs would have to meet new 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 to the manufacturers of passenger vehicles.

According to information from NHTSA, a few hundred thousand medium-duty and heavy-duty vehicles are produced each year. Because the cost to install EDRs on medium-duty and heavy-duty vehicles would depend upon future rules and regulations, CBO has no basis for determining the cost of the mandate to the manufacturers of medium-duty and heavy-duty vehicles.

Hybrid and Electric Vehicle Sounds

S. 3302 would require hybrid and electric vehicles to generate sounds that alert blind pedestrians when such a vehicle is operating nearby in a quiet mode. 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.

Notification of Recalls by Used Car Dealers

The bill would require used-car dealers to notify each customer in writing of any recalls on a vehicle that have not been remedied before completing a sale or lease transaction. According to industry sources, about 27 million used vehicles are sold or leased by dealers per year and it would take about 15 minutes per vehicle to prepare the required paperwork and search for any outstanding recalls. The direct cost of the mandate would primarily be any additional staffing expenses dealers would incur. Based on information from industry sources, CBO estimates that the direct cost of the mandate would be small relative to the annual threshold.

Other Mandates

CBO estimates that the incremental costs of several other 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 and notices of software upgrades available to customers on the Internet;
- Place information about submitting a safety related complaint to NHTSA in each automobile;
- Have a senior official responsible for safety residing in the United States who would certify certain information submitted to the Department of Transportation;
- Send a mailing list of current owners of a recalled vehicle to the Department of Transportation, upon request;
- Not hire certain former NHTSA employees for a period of 36 months after the employee stops working at NHTSA; and
- Comply with whistleblower protections for employees.

PREVIOUS CBO ESTIMATE

On June 25, 2010, CBO transmitted a cost estimate for H.R. 5381, the Motor Vehicle Safety Act of 2010, as ordered reported by the House Committee on Energy and Commerce on May 25, 2010. That bill would authorize appropriations of \$1.1 billion and would impose a user fee that would offset some of the costs of the authorized appropriations. In total, CBO estimated that H.R. 5381 would authorize net appropriations of \$876 million over the 2010-2015 period. Each bill also contains both intergovernmental and private-sector mandates.

ESTIMATE PREPARED BY:

Federal Spending: Sarah Puro

Federal Revenues: Mark Booth

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