CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 3, 2012

S. 1449
Motor Vehicle and Highway Safety Improvement Act of 2011

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on December 14, 2011

SUMMARY

S. 1449 would extend the authority for highway safety programs administered by the National Highway Traffic Safety Administration (NHTSA) and amend various laws that govern those programs. The bill would set the amount of contract authority (the authority to incur obligations in advance of appropriations) for NHTSA programs at $747 million for 2012 and at $756 million for 2013.

Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act for constructing the baseline, CBO assumes that funding provided by the bill for 2013, the last year of the authorization, would continue at the same rate in each of the following years. Hence, CBO estimates that enacting the bill would result in baseline contract authority totaling $8.4 billion over the 2012-2022 period. That funding level represents an increase of about $1 billion above the amounts of contract authority for highway safety programs currently projected in CBO's baseline for the 2012-2022 period.

CBO expects that most spending for the highway safety programs will continue to be controlled by limits on annual obligations set in appropriation acts. Consequently, the changes in contract authority would not increase outlays from mandatory spending. As a result, CBO estimates that enacting S. 1449 would not affect outlays from direct spending.

Enacting S. 1449 could result in the collection of additional civil penalties because it would increase the amount that NHTSA could impose for violations of certain safety regulations. Penalties are recorded as revenues and deposited in the U.S. Treasury. As a result, pay-as-you go procedures apply. However, CBO estimates that such collections would probably be small, and the effect on revenues would be insignificant.

The bill would not authorize a limit on obligations for the contract authority provided in the bill. However, for this estimate of discretionary outlays, CBO assumes that the limitation for such programs will equal the amount of contract authority provided. The obligation limitation for 2012, which was enacted in the Consolidated and Further Continuing

Appropriations Act, 2012 (Public Law 112-55), was about $87 million less than the amounts estimated to be authorized by S. 1449 for that year. Assuming enactment of the estimated obligation limitations for 2012 and 2013, CBO estimates that implementing the bill would cost $843 million over the 2012-2017 period.

S. 1449 contains intergovernmental mandates 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 those preemptions would limit the application of state law, CBO estimates that they would impose no duty on state, local, or tribal governments that would result in additional spending.

S. 1449 would impose private-sector mandates by requiring manufacturers of child safety seats, agricultural equipment, motor vehicles and vehicle parts to comply with new safety standards. It also would impose new requirements on importers of motor vehicles and vehicle parts, as well as car dealerships. The cost of several of the mandates related to motor vehicle 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 established in UMRA for private-sector mandates ($146 million in 2012, 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. 1449 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

BASIS OF ESTIMATE

Direct Spending

S. 1449 would provide $747 million in 2012 and $756 million in 2013 for programs administered by NHTSA, including grants for highway safety programs, operations, and research. The bill would amend the available uses of that contract authority to include grants to states for distracted driving as well as for implementing programs to detect driver alcohol levels and to establish driver's licenses for teens that phase in full driving privileges.

	By Fiscal Year, in Millions of Dollars						
	2012	2013	2014	2015	2016	2017	2012-2017
CHANGES IN DIRECT SPENDING							
Budget Authority for NHTSA [a]	84	93	93	93	93	93	456
Estimated Outlays	0	0	0	0	0	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Obligation Limitation for NHTSA [b]	87	756	0	0	0	0	843
Estimated Outlays	10	356	293	101	83	0	843

Notes: NHTSA = National Highway Traffic Safety Administration.

a. S. 1449 would provide about $8.4 billion in budget authority in the form of contract authority over the 2012-2022 period —about $1 billion more than CBO's baseline.

b. Estimated discretionary outlays reflect use of funds under the 2012 and 2013 obligation limitations estimated by CBO. (Outlays stemming from additional contract authority shown in the table would be authorized in future legislation that covers the period after 2013.)

The current contract authority available through March 31, 2012, for programs administered by NHTSA is $317 million. Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act for constructing its baseline, CBO assumes that funding provided for the first six months of 2012 will continue at the same rate through the rest of this year (for a total level of $663 million) and in each subsequent year. Because of those baseline construction rules, CBO estimates that enacting the bill would add a total of $456 million of contract authority over the next five years to the baseline—$84 million ($747 million less $663 million) in 2012 and $93 million ($756 million less $663 million) annually over the 2013-2017 period. That funding level represents an increase of about $1 billion above the total amounts of contract authority for NHTSA programs currently projected in CBO's baseline over the next 10 years.

Spending Subject to Appropriation

CBO expects that the contract authority provided in the bill would be controlled by limitations on obligations set in annual appropriation acts. While this bill would not authorize an obligation limitation level, CBO's estimate of discretionary spending under this legislation reflects obligation limitations that are estimated to equal the contract authority provided in the bill. (Historically, the Congress has set obligation limitations at or near such levels.) For this estimate, CBO did not project this discretionary authority past fiscal year 2013, the authorization period covered by the legislation. Because the 2012 obligation limitation has already been enacted, CBO's estimate of the costs of this bill for

2012 includes the difference between that limit ($660 million) and the amount of contract authority provided in S. 1449 ($747 million). We estimate that the obligation limitation for 2013 would be $756 million. As a result, CBO estimates that the increases in discretionary spending, assuming enactment of such obligation limitations for 2012 and 2013, would be $843 million over the 2012-2017 period.

Revenues

Enacting S. 1449 could result in the collection of additional civil penalties because it would increase the amount of such penalties that NHTSA could impose for violations of certain safety regulations. Penalties are recorded as revenues and deposited in the U.S. Treasury. However, CBO estimates that such collections would likely be small, and the effect on revenues would be insignificant.

PAY-AS-YOU-GO PROCEDURES

Enacting S. 1449 could result in the collection of additional civil penalties because it would increase the amount that NHTSA could impose for violations of certain safety regulations. Penalties are recorded as revenues and deposited in the U.S. Treasury. As a result, pay-as-you go procedures apply. However, CBO estimates that such collections would likely be small, and the effect on revenues would be insignificant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1449 contains intergovernmental mandates as defined in UMRA because it would preempt state laws relating to the safety standards for motor vehicles required by the bill. While those preemptions would limit the application of state law, CBO estimates that they would impose no duty on state, local, or tribal governments that would result in additional spending

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1449 contains several private-sector mandates, as defined in UMRA. It would require manufacturers of child safety seats, agricultural equipment, motor vehicles, and vehicle parts to comply with new safety standards. These standards relate to new crash protection measures, new technologies to enhance visibility and safety, as well as new administrative responsibilities. The bill also would impose new requirements on importers of motor vehicles and vehicle parts, as well as car dealerships.

The cost of some of the mandates related to motor vehicle 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 established in UMRA for private-sector mandates ($146 million in 2012, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

ESTIMATE PREPARED BY:

Federal Costs: Sarah Puro
Impact on State, Local, and Tribal Governments: Ryan Miller
Impact on the Private Sector: Vi Nguyen

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis