



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 1, 2017

### **H.R. 3388** **SELF DRIVE Act**

*As ordered reported by the House Committee on Energy and Commerce on July 27, 2017*

#### **SUMMARY**

H.R. 3388 would clarify the federal role in regulating vehicles that can drive without a person controlling the vehicle. Those vehicles are defined in the bill as Highly Automated Vehicles (HAVs). The bill would require the National Highway Traffic Safety Administration (NHTSA) to complete several rulemakings, establish an advisory council on HAVs, and create a publicly available database about manufacturers that receive exemptions from current law. The bill would require vehicle manufacturers to comply with cybersecurity plans and would make manufacturers that fail to comply subject to civil penalties.

CBO estimates that implementing the legislation would cost \$10 million over the 2018-2022 period, assuming appropriation of the necessary amounts.

Enacting H.R. 3388 would increase revenues from civil penalties; therefore, pay-as-you-go procedures apply. However, CBO estimates that those increases would total less than \$500,000 over the 2018-2027 period. Enacting the bill would not affect direct spending.

CBO estimates that enacting H.R. 3388 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3388 would impose an intergovernmental mandate, as defined in the Unfunded Mandates Reform Act (UMRA), by preempting the authority of state and local governments to regulate the design, construction, and performance of HAVs, unless such regulations are at least protective as federal regulations. Although it would limit the application of state and local regulations, the bill would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

H.R. 3388 would impose private-sector mandates as defined in UMRA on manufacturers of automobiles. Based on information about motor vehicle sales in the United States and information about current business practices from industry sources, CBO estimates that

the cost of complying with those mandates would exceed the annual threshold established in UMRA (\$156 million in 2017, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 3388 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

|   | By Fiscal Year, in Millions of Dollars |      |      |      |      |      | 2017-2022 |
|---|--|------|------|------|------|------|-----------|
|   | 2017                                   | 2018 | 2019 | 2020 | 2021 | 2022 |           |
| <b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b> |  |      |      |      |      |      |           |
| Estimated Authorization Level                         | 0                                      | 1    | 2    | 2    | 2    | 3    | 10        |
| Estimated Outlays                                     | 0                                      | 1    | 2    | 2    | 2    | 3    | 10        |

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the beginning of fiscal year 2018, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for similar activities.

H.R. 3388 would require NHTSA to complete several rulemakings regarding standards and testing of HAVs, establish an advisory council on HAVs, and create a publicly available database about manufacturers that receive exemptions from current law.

Based on an analysis of information from NHTSA, CBO estimates that the rulemakings would require the agency to hire about 12 new people. CBO expects that about half of those people would be hired in 2018 and the rest in 2019. Based on the average wages and compensation for federal employees of NHTSA, CBO estimates that each additional person would cost about \$175,000 per year. As a result, enacting the rulemaking provisions would cost \$9 million over the 2018-2022 period.

Under the bill, NHTSA also would have to create a database of manufactures of HAVs that receive exemptions from current safety standards that apply to motor vehicles and make that information publically available. Based on information from the agency, CBO estimates that implementing this provision would cost about \$1 million over the 2018-2022 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. CBO estimates that enacting the bill would increase revenues over the 2017-2027 period by less than \$500,000. Enacting the bill would not affect direct spending.

## **INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting H.R. 3388 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 3388 would impose an intergovernmental mandate, as defined in UMRA, by preempting the authority of state and local governments to regulate the design, construction, and performance of HAVs, unless such regulations are at least protective as federal regulations. State and local governments are not currently regulating these aspects of HAVs. Although the bill would limit the application of state and local regulations, it would impose no duty on state or local governments that would result in additional spending or a loss of revenues.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 3388 would impose private-sector mandates as defined in UMRA on manufacturers of automobiles. Specifically, the bill would require manufacturers to:

- Install an alarm system in all passenger vehicles that would alert drivers to check the rear seat of their vehicles after turning off the engine;
- Submit certifications to NHTSA that describe how safety issues are being addressed in HAVs;
- Prepare cybersecurity and privacy plans for HAVs; and
- Inform customers about the capabilities and limitations of HAVs in accordance with a future rulemaking.

The bill also would require NHSTA to update or issue new motor vehicle safety standards to address automated systems. Those standards may facilitate the development of HAVs, but also may require manufacturers of those vehicles to incur additional costs.

Based on an analysis of data on vehicle sales from the Bureau of Economic Analysis, CBO estimates that manufacturers would need to install alarm systems in more than 10 million motor vehicles annually. The cost of installing a system would depend on the rule to be issued by the Secretary of Transportation. Some vehicles currently contain systems that may comply with the rule. However, because of the large number of vehicles that would be affected by the mandate, CBO estimates that the cost of the mandate would exceed \$100 million annually. On the basis of information from industry experts, CBO estimates that the cost of complying with the mandates to prepare plans, submit safety assessment certifications, and provide information to customers would total tens of millions of dollars over the next five year period.

The net cost of the mandates would equal the additional costs incurred, offset by any savings associated with complying with the bill's requirements. For example, some of the costs of the mandate may be mitigated if the motor vehicle safety standards for automated systems lower the cost of producing such vehicles. However, CBO expects that most of those savings would be realized a few years after manufacturers have begun to incur the costs to install the rear-seat alarm system. In aggregate, CBO estimates that the annual net cost of complying with all of the mandates in the bill would exceed the threshold established in UMRA for private-sector mandates (\$156 million in 2017, adjusted annually for inflation) in at least some of the first five years the mandates are in effect.

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