



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 22, 2018

H.R. 350 **RPM Act of 2017**

*As ordered reported by the House Committee on Energy and Commerce
on December 6, 2017*

SUMMARY

H.R. 350 would amend the Clean Air Act (CAA) to prohibit the Environmental Protection Agency (EPA) from regulating emissions from motor vehicles that are modified solely for motorsports competition. Specifically, H.R. 350 would amend the CAA's definition of a motor vehicle to exclude vehicles that are modified solely for competition, and it would make the manufacture, sale, installation, and use of "defeat devices" that bypass emissions controls legal only for competitive motorsports. CBO estimates that the agency would spend about \$500,000 over the 2018-2022 period to revise regulations; such spending would be subject to the availability of appropriated funds.

Because the bill would shift the legal focus of enforcement cases to how a motor vehicle is ultimately used, it would significantly increase the burden on EPA to prove that manufacturers and sellers are complicit in the use of defeat devices for purposes other than competition. As a result, CBO estimates that enacting H.R. 350 would reduce penalties (which are recorded as revenues) by \$18 million over the 2018-2027 period.

Because enacting H.R. 350 would affect revenues, pay-as-you-go procedures apply. Enacting the bill would not affect direct spending.

CBO estimates that enacting H.R. 350 would not affect direct spending and would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

H.R. 350 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 350 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018- 2022	2018- 2027
DECREASES IN REVENUES												
Revenues	0	-2	-2	-2	-2	-2	-2	-2	-2	-2	-8	-18

In addition CBO estimates that implementing the bill would cost less than \$500,000, subject to the availability of appropriated funds.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 350 will be enacted near the end of 2018.

Spending Subject to Appropriation

To implement the bill, EPA also would need to revise some regulations. Using information from EPA, CBO estimates that the agency would spend about \$500,000 over the 2018-2022 period to revise regulations; such spending would be subject to the availability of appropriated funds. That amount includes personnel and contract costs required to develop and issue a proposal, to receive and respond to public comments, and to issue a final rule for the revision.

Revenues

Under the CAA, EPA prescribes emissions standards for new motor vehicles and engines and may enforce civil penalties against any motor vehicle manufacturer, seller, or person who illegally modifies (or tampers with) a vehicle to bypass its emissions control system.

H.R. 350 would amend the CAA to prohibit EPA from regulating emissions from motor vehicles that are modified solely for motorsports competition. Under current law, EPA may impose penalties against any company that manufactures or sells illegal parts, such as defeat devices, that can bypass emissions controls. H.R. 350 would amend the CAA's definition of a motor vehicle to exclude vehicles that are modified solely for competition, and it would make the manufacture, sale, installation, and use of defeat devices legal for competitive motorsports.

According to officials in EPA’s Office of Civil Enforcement, the agency currently focuses its efforts on manufacturers and sellers of defeat devices that affect emissions from vehicles that are operated on public roads. Although, EPA has the legal authority under current law to pursue such violations for any motor vehicle—including those converted for use in motorsports—the agency has historically neither enforced that rule nor collected penalties from the motorsports industry.

Because the bill would shift the legal focus of enforcement cases to how a motor vehicle is ultimately used, it would significantly increase the burden on EPA’s enforcement officials to prove that manufacturers and sellers are complicit in the use of defeat devices for purposes other than competition.

Based on information from EPA, CBO expects that enacting the bill would probably lead to the agency shifting enforcement resources away from manufacturers and sellers and toward individual users and installers of defeat devices that are not used in competition and for which end-use violations would be easier to demonstrate under law.

Over the 2013-2017 period, EPA settled 13 cases—mostly against manufacturers—for CAA violations related to defeat devices, resulting in the collection of \$14 million in penalties. Over the same period, the agency collected a nominal amount in penalties from installers and users of defeat devices. CBO estimates that enactment of H.R. 350 would reduce collections by about \$2 million a year over the 2018-2027 period, because the agency’s enforcement would no longer be focused on manufacturers. The effect on collections in any particular year during that period could be higher or lower depending the details of individual cases that occur in each year.

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 H.R. 350, as ordered reported by the House Committee on Energy and Commerce on December 6, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	-2	-2	-2	-2	-2	-2	-2	-2	-2	-8	-18

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 350 would not affect direct spending and would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

MANDATES

H.R. 350 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY

Federal Costs: Jon Sperl
Mandates: Zach Byrum

ESTIMATE APPROVED BY

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis