



June 11, 2007

Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Based on a preliminary review of S. 1419, the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, as introduced on May 17, 2007, CBO estimates that enacting this legislation would increase direct spending by \$1.8 billion over the 2008-2012 period and by \$2.5 billion over the 2008-2017 period. In addition, CBO estimates that the legislation would reduce revenues by \$0.4 billion over the 2008-2012 period and by \$2.7 billion over the 2008-2017 period. Increased federal outlays and revenue losses from enacting S. 1419 would total \$2.2 billion and \$5.2 billion, respectively, over those periods (see enclosed table).

CBO has not completed an estimate of the bill's estimated impact on discretionary spending, but we estimate that implementing the legislation would have additional costs of at least \$7 billion over the 2008-2012 period, assuming appropriation of the necessary funds. The bulk of that spending would be for energy research and development activities related to increasing energy efficiency, reducing carbon emissions, and advancing renewable energy technology.

Pursuant to section 203 of S. Con. Res. 21, the Concurrent Resolution on the Budget for Fiscal Year 2008, CBO estimates that, under S. 1419, on-budget deficits would be increased (or surpluses would be reduced) by at least \$5 billion in at least one of the four 10-year periods beginning in 2018.

S. 1419 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Sections 130, 212, and 514 contain preemptions of state and local authority concerning energy-efficiency standards. Section 273 would require state regulatory bodies to perform

additional reviews of rate plans increasing states' responsibilities under existing mandates in the Public Utilities Regulatory Policies Act. CBO estimates, however, that the total costs of complying with those mandates would not be significant and would be well below the threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation).

S. 1419 also contains several private-sector mandates as defined in UMRA. While the aggregate cost of all the private-sector mandates contained in the bill is uncertain, CBO expects that the total cost of those mandates would be well in excess of the annual threshold established in UMRA (\$131 million in 2007, adjusted annually for inflation).

CBO has completed several estimates for bills that are similar to provisions of S. 1419. Specifically:

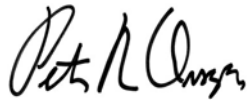
- Titles I, II, and III of S. 1419 are similar to S. 1321, the Energy Savings Act of 2007, as reported by the Senate Committee on Energy and Natural Resources on May 7, 2007, for which CBO transmitted a cost estimate on June 11, 2007;
- Title IV of S. 1419 is similar to S. 992, the Public Buildings Cost Reduction Act of 2007, as ordered reported by the Senate Committee on Environment and Public Works on March 29, 2007, for which CBO transmitted a cost estimate on April 27, 2007;
- Titles V and VI of S. 1419 are similar to S. 357, the Ten-in-Ten Fuel Economy Act, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 8, 2007, for which CBO transmitted a cost estimate on June 4, 2007; and
- Title VII of S. 1419 is similar to S. 193, the Energy Diplomacy and Security Act of 2007, as ordered reported by the Senate Committee on Foreign Relations on March 28, 2007, for which CBO transmitted a cost estimate on March 29, 2007.

In all cases, our estimates of direct spending and revenues for those bills are the same as for the similar provisions in S. 1419.

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If you wish further details on this estimate, we would be pleased to provide them. The CBO staff contact is Megan Carroll.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag".

Peter R. Orszag
Director

Enclosure

cc: Honorable Judd Gregg
Ranking Member

Honorable Harry Reid
Majority Leader

Honorable Jeff Bingaman
Chairman
Committee on Energy and
Natural Resources

Honorable Pete V. Domenici
Ranking Member

Honorable Daniel K. Inouye
Chairman
Committee on Commerce,
Science, and Transportation

Honorable Ted Stevens
Vice Chairman

CBO ESTIMATE OF DIRECT SPENDING AND REVENUE EFFECTS OF S. 1419, THE RENEWABLE FUELS, CONSUMER PROTECTION, AND ENERGY EFFICIENCY ACT OF 2007, AS INTRODUCED ON MAY 17, 2007

	By Fiscal Year, in Millions of Dollars											2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017	
CHANGES IN DIRECT SPENDING													
Title I - Biofuels for Energy Security and Transportation													
Renewable Fuels Requirement and Agricultural Support Programs													
Estimated Budget Authority	0	-1	-3	-3	-6	-12	-39	-62	-151	-192	-13	-469	
Estimated Outlays	0	-1	-3	-3	-6	-12	-39	-62	-151	-192	-13	-469	
Increased Funding for Federal Highway Programs ^a													
Estimated Budget Authority	0	9	9	0	0	0	0	0	0	0	18	18	
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	
Title II - Energy Efficiency Promotion													
Federal Investments in New Renewable Electricity Facilities													
Estimated Budget Authority	414	392	372	351	310	0	0	0	0	0	1,839	1,839	
Estimated Outlays	125	283	392	372	345	229	93	0	0	0	1,517	1,839	
Energy Savings Performance Contracts													
Estimated Budget Authority	30	32	33	33	34	35	36	37	38	400	162	708	
Estimated Outlays	25	31	32	33	34	35	35	37	38	350	155	650	
Changes to Department of Energy Loan Guarantee Program													
Estimated Budget Authority	0	52	58	59	60	61	62	73	74	75	229	574	
Estimated Outlays	0	24	40	55	60	60	60	65	70	70	179	504	
Total Changes in Direct Spending													
Estimated Budget Authority	444	484	469	440	398	84	59	48	-39	283	2,235	2,670	
Estimated Outlays	150	337	461	457	433	312	149	40	-43	228	1,838	2,524	
CHANGES IN REVENUES													
Title I - Biofuels for Energy Security and Transportation													
Estimated Revenues	0	-104	-243	-40	60	89	122	157	202	218	-327	461	
Title V - Corporate Average Fuel Economy Standards													
Estimated Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>-17</u>	<u>-55</u>	<u>-150</u>	<u>-309</u>	<u>-536</u>	<u>-835</u>	<u>-1,214</u>	<u>-72</u>	<u>-3,116</u>	
Total Changes in Revenues	0	-104	-243	-57	5	-61	-187	-379	-633	-996	-399	-2,655	
TOTAL CHANGES													
Increase in the Deficit ^b	150	441	704	514	428	373	336	419	590	1,224	2,237	5,179	

Note: Components may not sum to totals because of rounding.

- a. Contract authority for federal highway programs is mandatory. Outlays, which are controlled by obligation limitations specified in annual appropriations acts, are discretionary.
- b. Positive numbers indicate an increase in the deficit (or a reduction in a surplus).