



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 9, 1998

H.R. 4017

Energy Conservation Reauthorization Act of 1998

As ordered reported by the House Committee on Commerce on August 5, 1998

SUMMARY

H.R. 4017 would reauthorize various energy conservation programs of the Department of Energy (DOE) through fiscal year 2003. The bill would authorize the appropriation of such sums as necessary for certain international programs, the Committee on Renewable Energy Commerce and Trade (CORECT), the Committee on Energy Efficiency Commerce and Trade, and grants to states for weatherization assistance and other conservation initiatives. In addition, the bill would extend the authorization for the Energy Savings Performance Contracts (ESPC) program through 2003 and would expand the scope of the program to include legislative and judicial branch agencies. Other provisions would amend existing law regarding the use of alternative fuels, including biodiesel fuel, and the President's authority to allocate materials during energy emergencies.

CBO estimates that implementing this bill would cost a total of about \$600 million over the 1999-2003 period, assuming appropriation of the necessary funds. That amount is net of estimated savings of about \$40 million over the same period for the provision that would encourage increase use of biodiesel fuel in government vehicles. H.R. 4017 could affect direct spending; therefore, pay-as-you-go procedures would apply, but CBO estimates that there would be no significant effect in any year. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4017 is shown in the following table. The costs of this legislation fall within budget functions 270 (energy) and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority ^a	156	0	0	0	0	0
Estimated Outlays	158	116	31	8	0	0
“Such Sums” Authorizations Projected at the 1998 Level:						
Proposed Changes						
Authorization Level ^b	0	158	148	148	148	148
Estimated Outlays	0	40	119	140	148	148
Spending Under H.R. 4017						
Authorization Level ^a	156	158	148	148	148	148
Estimated Outlays	158	156	150	148	148	148
“Such Sums” Authorizations Adjusted for Inflation:						
Proposed Changes						
Authorization Level ^b	0	161	155	158	162	166
Estimated Outlays	0	41	123	147	158	162
Spending Under H.R. 4017						
Authorization Level ^a	156	161	155	158	162	166
Estimated Outlays	158	157	154	155	158	162

a. The 1998 level is the net amount appropriated for that year.

b. The estimated net authorization declines in 2000 because of estimated savings from increased use of biodiesel fuel in government vehicles.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that appropriations will be provided near the beginning of each fiscal year and that outlays will follow historical trends for the affected programs. In the absence of specified authorizations for these activities, we assume that the amounts appropriated for fiscal year 1998 represent the level of funding currently needed to carry out the functions outlined in the bill. The one exception to this approach is the estimate for CORECT, which did not receive an appropriation for fiscal year 1998. In that case, we based our estimates on the President's request for 1999 of \$2 million, which is the amount DOE estimates would be needed to fund the authorized activities. The table shows two alternative sets of authorization levels for fiscal years 1999-2003: one without an adjustment for anticipated inflation and a second that includes an adjustment for inflation.

In addition, H.R. 4017 would give managers of motor vehicle fleets for federal agencies credit for purchasing an alternatively fueled vehicle if they switch from diesel to biodiesel and diesel fuel mixtures to operate their existing vehicles. Biodiesel fuel is a diesel-fuel substitute made from renewable materials (such as vegetable oils) and can be used in conventional diesel engines. Under the Energy Policy Act, federal vehicle fleet managers are directed to procure about 15,000 alternatively fueled vehicles (AFVs) annually. These vehicles are generally more costly to acquire and operate than comparable conventional vehicles. The premium paid for alternative fuel vehicles depends on the type of fuel used and ranges from 2 percent to 200 percent above the cost of a conventional vehicle. Based on information from DOE, CBO estimates that, under current law, federal agencies will spend about \$35 million per year to cover the additional cost of acquiring AFVs that are capable of operating with either compressed natural gas, liquefied-petroleum gas, methanol, ethanol, or electricity.

Although biodiesel fuel is more expensive than conventional diesel fuel, agencies could save money if they chose to use biodiesel fuel mixtures in existing vehicles instead of purchasing the types of alternatively fueled vehicles they have acquired in the past. Because agencies would incur no additional capital costs, using biodiesel fuel mixtures in conventional vehicles would be significantly less expensive than acquiring and operating many types of AFVs. H.R. 4017 would limit the amount of credit that could be generated by use of biodiesel mixtures to 50 percent of AFV purchases. Thus, savings from this provision could total nearly \$20 million annually if federal fleet managers were able to achieve the maximum amount of biodiesel credits allowed. For purposes of this estimate, CBO estimates that such savings would average about \$10 million a year beginning in fiscal year 2000, assuming that appropriations are reduced by a corresponding amount.

Finally, extending and expanding the use of ESPCs could reduce future spending on energy services, but CBO estimates that these changes would have no net effect on federal outlays over the 1999-2003 period. The ESPC program, which under current law will expire in 2000, allows agencies to use some of the funds appropriated for energy expenses for investments in measures that reduce energy consumption. Because of the way these contracts are structured, EPSCs have no net effect on agency spending until after the payback period for the investment, typically about 15 years. At that point, appropriations for energy services may be lower than they otherwise would be if the investments were not made. Hence, CBO estimates that implementing these provisions would not change the amounts authorized for energy expenses in the near term and would not result in any significant savings to the federal government until after 2003. Other provisions of the bill would not have a significant effect on federal spending.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act specifies pay-as-you-go procedures for legislation affecting direct spending or receipts. The provision regarding use of biodiesel fuel mixtures in federal vehicles could affect direct spending for agencies, such as the Bonneville Power Administration and the Tennessee Valley Authority, that have direct spending authority. CBO estimates, however, that any effect on direct spending for such agencies would not be significant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4017 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would authorize the appropriation of such sums as may be necessary for fiscal years 1999 through 2003 for energy conservation programs that provide assistance to states. The Weatherization Assistance Program provides funds to states to make improvements in energy efficiency for low-income households. This program received about \$125 million for fiscal year 1998. The bill would also authorize funds for the State Energy Conservation Program, which funds the development and implementation of statewide energy conservation plans. Appropriations for this program are about \$30 million in fiscal year 1998.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Kathleen Gramp and Kim Cawley
Impact on State, Local, and Tribal Governments: Pepper Santalucia

ESTIMATE APPROVED BY:

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis