



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

June 26, 2009

Honorable Henry A. Waxman
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

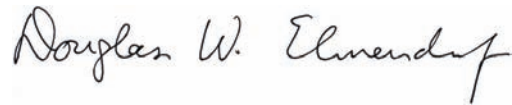
Based on a review of H.R. 2998, the American Clean Energy and Security Act, as amended and reported by the House Committee on Rules on June 26, 2009, CBO and the Joint Committee on Taxation (JCT) estimate that enacting the legislation would increase revenues by \$873 billion over the 2010-2019 period and would increase direct spending by \$864 billion over that 10-year period. In total, CBO and JCT estimate that enacting the legislation would reduce future budget deficits by about \$4 billion over the 2010-2014 period and by about \$9 billion over the 2010-2019 period (see enclosed table). CBO has not completed an estimate of the bill's estimated impact on discretionary spending.

CBO has determined that the nontax provisions of H.R. 2998 contain intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Several of those mandates would require utilities, manufacturers, and other entities to reduce greenhouse gas emissions through cap-and-trade programs. CBO estimates that the cost of mandates in the bill would well exceed the annual thresholds established in UMRA for intergovernmental and private-sector mandates (in 2009, \$69 million and \$139 million respectively, adjusted annually for inflation).

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If you wish further details on this estimate, we would be pleased to provide them. The CBO staff contacts are Susanne S. Mehlman (for federal costs), Leo Lex (for the state and local impact), and Patrice Gordon (for the private-sector impact).

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive style with a large, looped initial "D".

Douglas W. Elmendorf
Director

Enclosure

cc: Honorable Joe Barton
Ranking Member

Honorable Louise M. Slaughter
Chairwoman
Committee on Rules

Honorable David Dreier
Ranking Minority Member

ESTIMATED CHANGES IN REVENUES AND DIRECT SPENDING UNDER H.R. 2998, AS AMENDED AND REPORTED BY THE HOUSE COMMITTEE ON RULES ON JUNE 26, 2009^a

	By Fiscal Year, in Billions of Dollars										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
CHANGES IN REVENUES												
Net Revenues Resulting from Cap-and-Trade Programs ^b	0	38.7	59.8	65.8	93.8	107.7	116.5	122.2	130.8	137.2	258.1	872.5
Change to EITC	0	0	*	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.4	-2.5	-9.0
Increased Production Tax Credit Use	0	0	*	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-1.1
Carbon Storage Research Corporation	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.7	9.5
Alternative Compliance Payments for the RES	0	0	*	*	*	*	*	*	0.1	0.1	0.1	0.4
Commodity Futures Trading Commission	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.8
Clean Energy Deployment Administration	0	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Penalties and Other Revenue Changes	<u>0</u>	<u>0</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>0.1</u>	<u>0.2</u>
Total Changes in Revenues ^b	0.9	39.7	60.8	65.6	93.4	107.4	116.1	121.8	130.3	136.7	260.5	872.8
CHANGES IN DIRECT SPENDING												
Spending from Auction Revenues ^c												
Estimated Budget Authority	0	0.7	1.5	1.8	1.8	1.7	1.7	1.7	1.6	1.6	5.7	14.0
Estimated Outlays	0	0	0.3	0.9	1.1	1.2	1.3	1.4	1.5	1.6	2.3	9.4
Outlays Associated with Emission Allowances Freely Allocated												
Estimated Budget Authority	0	33.4	48.3	56.0	76.7	88.6	95.4	99.0	105.4	110.3	214.4	713.2
Estimated Outlays	0	33.4	48.3	56.0	76.7	88.6	95.4	99.0	105.4	110.3	214.4	713.2
Change to EITC												
Estimated Budget Authority	0	0	0	2.2	2.2	2.2	2.2	2.2	2.3	2.3	4.4	15.7
Estimated Outlays	0	0	0	2.2	2.2	2.2	2.2	2.2	2.3	2.3	4.4	15.7
Low-Income Energy Rebates												
Estimated Budget Authority	0	0	7.4	10.2	11.9	12.8	14.6	15.5	16.6	17.9	29.4	106.8
Estimated Outlays	0	0	7.4	10.2	11.9	12.8	14.6	15.5	16.6	17.9	29.4	106.8
Carbon Storage Research Corporation												
Estimated Budget Authority	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	5.6	11.4
Estimated Outlays	0.3	0.7	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.2	4.3	10.1

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	By Fiscal Year, in Billions of Dollars											2010- 2014	2010- 2019
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019			
Spending of Alternative Compliance Payments													
Estimated Budget Authority	0	0	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Estimated Outlays	0	0	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Clean Energy Deployment Administration													
Budget Authority	7.5	*	*	*	*	*	*	*	*	*	*	7.5	7.5
Estimated Outlays	0	0.1	0.1	0.2	0.3	0.4	0.6	0.8	1.0	1.2	0.6	4.5	4.5
Long-term Energy Contracts													
Budget Authority	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.3	0.3	3.6	6.1	6.1
Estimated Outlays	0.1	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.4	1.3	3.7	3.7
Total Changes in Direct Spending													
Estimated Budget Authority	9.3	35.9	59.1	72.0	94.5	107.2	115.9	120.3	127.4	133.7	270.7	875.2	875.2
Estimated Outlays	0.4	34.4	57.3	70.9	93.8	106.9	115.9	120.7	128.5	135.0	256.8	863.8	863.8

**Net Change in the Budget Deficit
from Changes in Revenues and Direct Spending**

Impact on Deficit ^d	0.6	5.4	3.5	-5.3	-0.4	0.5	0.2	1.0	1.8	1.8	3.8	9.0	9.0
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Memorandum—Details on Auction Revenues:

Gross Revenues from Auctioned Allowances	0	9.3	20.8	19.2	29.6	33.2	36.5	39.2	42.6	45.1	78.9	275.5	275.5
Net Revenues from Auctioned Allowances ^b	0	7.0	15.6	14.4	22.2	24.9	27.4	29.4	31.9	33.8	59.2	206.6	206.6
Gross Revenues from Allowances Freely Allocated	0	33.4	48.3	56.0	76.7	88.6	95.4	99.0	105.4	110.3	214.4	713.2	713.2
Net Revenues from Allowances Freely Allocated ^b	0	31.7	44.2	51.4	71.6	82.9	89.1	92.7	98.8	103.4	198.9	665.9	665.9

Sources: Congressional Budget Office and Joint Committee on Taxation.

Notes: EITC = Earned Income Tax Credit; RES = renewable electricity standard, * = between -\$50 million and \$50 million.
Numbers may not sum to totals because of rounding.

- a. CBO has not completed an estimate of the legislation's costs that are subject to appropriation.
- b. Revenues are net of income and payroll tax offsets.
- c. Includes \$0.1 billion reduction in other unemployment benefits over the 2010-2019 period. The House Committee on the Budget has directed CBO to treat the authorization of appropriations from the Climate Change Health Protection and Promotion Fund, the Natural Resources Climate Change Adaption Fund, and the Energy Worker Training program as new direct spending. Of the \$9.4 billion in estimated outlays over the 2010-2019 period shown under "Spending from Auction Revenues," \$5.3 billion reflects estimated outlays from those authorizations.
- d. Positive numbers indicate decreases in deficits; negative numbers indicate increases in deficits.