CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 17, 2009

H.R. 2751
Consumer Assistance to Recycle and Save Act

As passed by the U.S. House of Representatives on June 8, 2009

SUMMARY

H.R. 2751 would authorize the appropriation of $4 billion to establish a program at the Department of Transportation (DOT) to provide individuals with vouchers to purchase or lease a new car or truck if they trade in an eligible vehicle for one that is more fuel efficient. Under the program, the eligible vehicle would have to be subsequently dismantled. CBO estimates that implementing this legislation would cost about $4 billion over the 2009-2010 period, assuming appropriation of the authorized amounts. Enacting the legislation would not affect direct spending but would increase revenues by $18 million over the 2010-2014 period. The act would have no significant net impact on revenues over the 2010-2019 period.

H.R. 2751 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. 2751 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Authorization Level	4,000	0	0	0	0	0	0	0	0	0	4,000	4,000
Estimated Outlays	3,980	20	0	0	0	0	0	0	0	0	4,000	4,000
CHANGES IN REVENUES												
Estimated Revenues	33	-1	-5	-5	-4	-4	-4	-4	-4	-4	18	0

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2751 will be enacted near the beginning of fiscal year 2010 and that the authorized amount will be appropriated that year.

Spending Subject to Appropriation

H.R. 2751 would authorize the appropriation of $4 billion for DOT to operate a one-year program to provide individuals with vouchers to purchase or lease a new car or truck if they trade in an eligible vehicle for one that is more fuel efficient. The eligible vehicle would have to be subsequently dismantled. The vouchers would range in value from $3,500 to $4,500, depending on the type of vehicle being purchased and the difference in the fuel economy from the eligible vehicle. If the vouchers used had an average value of $4,000, the authorization to appropriate $4 billion for the program would be sufficient to provide vouchers for 1 million vehicles.

Based on information from DOT, CBO estimates that up to 77 million vehicles sold over the 1990-2006 period fall below the 18-miles-per-gallon threshold specified in the act. Of those vehicles, CBO expects that fewer than 25 million are both currently registered and are worth less than the voucher amounts. The vast majority of those vehicles are trucks. We project that new vehicle sales in the United States will total about 10 million in calendar year 2009, down from 16 million in 2007. A portion of those sales will be fleet sales and would not be eligible for the program. Because of the large number of qualifying vehicles on the road and the total vehicle sales anticipated, CBO estimates that nearly 1 million vouchers would be used in 2010 to help purchase qualifying new vehicles and that DOT would spend about $55 million to administer the program. In total, we estimate that implementing the program would cost about $4 billion.

Revenues

CBO estimates that net revenues would increase by $33 million in 2010 and by $18 million over the 2010-2014 period. Over the 2010-2019 period, we estimate that there would be no significant net effect on revenues.

Fees for Participation in the Program. The act would require dealers participating in the program to remit to the U.S. Treasury up to $60 of the amount they receive from a dismantler or scrapper for a vehicle traded in under the program. CBO estimates that while nearly 1 million vouchers would be used, some of the disposed vehicles would result in a payment of less than $60. Thus, we estimate that the new fee would result in total collections of $58 million in 2010 and 2011; net of income and payroll tax losses, the new fee would increase revenues by $44 million over that period.

Reduced Gasoline Consumption by New Fuel-Efficient Vehicles. CBO expects that issuing vouchers to individuals who replace existing vehicles with new ones of greater fuel efficiency would result in a small increase in the overall fuel efficiency of the domestic vehicle fleet. New vehicles purchased as a result of the program would generally be more fuel efficient than ones that would otherwise be purchased as replacements. This increase in fuel efficiency would result in a slight decline in gasoline consumption that would reduce federal revenues generated by the federal tax on motor fuels. As a result, CBO estimates that the program would reduce federal tax receipts by $26 million over the 2010-2014 period and $44 million over the 2010-2019 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR MANDATES

H.R. 2751 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On June 5, 2009, CBO transmitted a cost estimate for H.R. 2454, the American Clean Energy and Security Act of 2009, as ordered reported by the House Committee on Energy and Commerce on May 21, 2009. That bill contained a similar provision regarding vouchers for the purchase of new vehicles, but vouchers would be available to be used for a shorter period of time, and dealers participating in the program would not be required to remit funds to the Treasury under H.R. 2454. Those differences are reflected in CBO’s cost estimates.

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