CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 16, 2010

S. 1320
Energy-Efficient Manufactured Housing Act of 2010

As ordered reported by the Senate Committee on Energy and Natural Resources on August 5, 2010

SUMMARY

S. 1320 would authorize appropriations for grants to states to provide financial incentives to owners of older manufactured homes to replace those homes with more energy-efficient homes. Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 1320 would cost $2.2 billion over the 2011-2015 period. Enacting S. 1320 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1320 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 impact of S. 1320 is shown in the following table. The costs of this legislation fall within budget function 270 (energy).

	By Fiscal Year, in Millions of Dollars					
	2011	2012	2013	2014	2015	2011-2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	500	500	500	500	500	2,500
Estimated Outlays	150	450	525	525	500	2,150

BASIS OF ESTIMATE

S. 1320 would authorize the appropriation of whatever sums are necessary for the Department of Energy (DOE) to make grants to states to provide financial incentives to individuals to replace certain manufactured homes constructed prior to 1976 with newer, more energy-efficient models. States would use those grants to make grants or loans of up to $7,500 to eligible owners of older manufactured homes to use toward the purchase of new Energy Star-qualified manufactured homes. (According to information from the manufactured housing industry, the average cost of an Energy-Star qualified home is between $60,000 and $65,000.) An eligible owner also could qualify for an additional grant or loan from the state of up to $2,500 to defray the costs of disposing of the old home. Assistance under S. 1320 would only be available to individuals who occupy their homes as full-time residences and whose incomes do not exceed certain thresholds specified in the bill.

According to data from the American Housing Survey, nearly 3 million of the 8.8 million manufactured homes in the United States were built before 1976. Based on data from that survey, CBO estimates that approximately 60 percent of those homes are occupied by owners as primary residences. Based on information from the manufactured housing industry, CBO estimates that roughly 80 percent of such owners would meet the bill’s income-related criteria to qualify for federal assistance under S. 1320. Providing federal assistance to replace all eligible manufactured homes would cost around $14 billion.

However, given the size of the current market for new manufactured homes, CBO estimates that federal spending would be far less than that amount. According to the American Housing Survey, an average of about 100,000 manufactured homes was sold per year over the 2005-2009 period. For this estimate, CBO assumes that the number of manufactured homes sold each year remains at the average level observed over the past five years and that states elect to provide financial assistance primarily in the form of grants or rebates to individuals. Taking into account the bill’s eligibility criteria related to owner occupancy and income, CBO estimates that about half of the total number of homes sold each year under S. 1320 would be purchased by individuals who seek and qualify for financial assistance. Based on those assumptions, CBO estimates that implementing the bill would require appropriations of $2.5 billion over the 2011-2015 period. Based on historical spending patterns for similar DOE programs that provide financial incentives to replace energy-inefficient items with more efficient ones, we estimate that resulting federal spending would total $2.2 billion over the 2011-2015 period.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1320 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from grants authorized in the bill. Any costs to those governments would be incurred voluntarily as a condition of federal assistance.

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