



July 25, 2008

Honorable Paul Ryan
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

This letter responds to your request of July 18, 2008, for information about estimated spending from the Highway Trust Fund under three scenarios. The scenarios you specified include: Limiting spending in 2009 from the Highway Trust Fund to cash on hand; an \$8 billion transfer of funds from the General Fund to the Highway Trust Fund; and a larger unspecified transfer of funds from the General Fund to the Highway Trust Fund to liquidate obligations from the trust fund through 2018. In each case, you asked CBO to assume that the 2009 obligation limitation—\$41.2 billion—authorized in Public Law 109-59 (the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users—SAFETEA-LU) is enacted. The Congress has not yet enacted an obligation limitation for this program for 2009.

Limiting Outlays From the Highway Account Trust to the Fund's Available Cash

If the obligation limitation authorized in SAFETEA-LU were enacted for 2009, and if the Highway Account of the Highway Trust Fund had sufficient balances, CBO estimates that outlays from the account, including transfers to the transit account of the trust fund, would total about \$40 billion in fiscal year 2009. However, based on CBO's most recent revenue projections, we estimate that the cash receipts and balances available to that account will total about \$36 billion in 2009. Thus, assuming that reimbursements to states would be limited to the amount of cash on hand in the Highway Account, spending in 2009 could be no more than around \$36 billion—about \$4 billion less than the outlays CBO estimates would occur under SAFETEA-LU if there were no shortfall. Those payments would be made later as cash became available.

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Most of the outlays from the Highway Trust Fund are subject to obligation limits set in appropriation acts and are therefore categorized as discretionary. Following long-standing Congressional scorekeeping procedures, the constraints on spending that might result from the limited resources available to the trust fund are not reflected in CBO's scoring of appropriation bills. For that purpose, CBO estimates spending from the Highway Trust Fund without regard to balances available in the fund. That assumption is similar to the convention CBO has long used to estimate future federal spending without regard to any constraints that might occur because of the statutory limit on the public debt.

Effect on Discretionary Spending of a General Fund Transfer to the Highway Trust Fund

Your letter also asks about the effect on future spending of an \$8 billion transfer of funds from the General Fund of the Treasury to the Highway Trust Fund. If the trust fund has a shortfall as CBO projects, the transfer would facilitate the liquidation of all requests from the states for reimbursement from the Highway Trust Fund during 2009. Assuming that the obligation limitation authorized in SAFETEA-LU is enacted for fiscal year 2009 and that DOT would limit cash disbursements to the amount of cash in the Highway Account, CBO expects that, with an \$8 billion transfer from the General Fund, spending from the Highway Account, including transfers to the transit account, would sum to about \$40 billion in 2009 rather than about \$36 billion, leading to about a \$4 billion increase in outlays and in the deficit for that year. (The transfer would not affect the outlays scored for the appropriation bill, which would not reflect the cash constraint in any event.)


You also asked about the amount of General Fund transfers that could be required to meet obligations from the Highway Trust Fund through 2018 without imposing any constraints on disbursements. The answer depends on spending levels, tax provisions, and other potential programmatic changes that will be set in the next authorization bill for highways as well as future appropriation action. (The current authorization for highways expires in 2009, and the current taxes that fund highway programs expire in 2011.) If current taxes continued in place and obligation limits remained at the level authorized for 2009 with adjustments for anticipated inflation, CBO estimates that, in total, from 2010-2018, transfers of more than \$100 billion from the General Fund to the Highway Trust Fund would be necessary to cover the outlays that

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CBO projects under that scenario. Under those assumptions, such transfers would result in outlays and deficits totaling more than \$100 billion greater than those that could be financed solely from the trust fund's receipts.

If you would like further information about spending from the Highway Trust Fund, we would be pleased to provide it. The staff contact is Sarah Puro.

Sincerely

for 

Peter R. Orszag
Director

cc: Honorable John M. Spratt Jr.
Chairman

Honorable David R. Obey
Chairman
Committee on Appropriations

Honorable Jerry Lewis
Ranking Member

Honorable James L. Oberstar
Chairman
Committee on Transportation and Infrastructure

Honorable John L. Mica
Ranking Republican Member

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Honorable Charles B. Rangel
Chairman
Committee on Ways and Means

Honorable Jim McCrery
Ranking Republican

Honorable Kent Conrad
Chairman
Senate Committee on the Budget

Honorable Judd Gregg
Ranking Member

Honorable Robert C. Byrd
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Honorable Thad Cochran
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Honorable Barbara Boxer
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Honorable Daniel K. Inouye
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Senate Committee on Commerce, Science, and Transportation

Honorable Ted Stevens
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Honorable Max Baucus
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Honorable Charles E. Grassley
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