CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 28, 2009

S. 1474
A bill to amend the Internal Revenue Code of 1986 to repeal the provision prohibiting the crediting of interest to the Highway Trust Fund, to provide certain transfers to such Trust Fund, and to extend the expenditure authority for such Trust Fund, and for other purposes

As introduced on July 20, 2009

SUMMARY

S. 1474 would transfer $26.8 billion from the general fund of the Treasury to the Highway Trust Fund, repeal a provision in current law that prohibits the crediting of interest on balances in the Highway Trust Fund, and extend the authority of the trust fund to make expenditures. CBO estimates that enacting the bill would increase outlays by about $1 billion in 2009, by accelerating spending that would otherwise occur in later years. While enactment of the bill could facilitate future highway spending, such spending would be subject to future appropriations actions.

The Joint Committee on Taxation (JCT) has reviewed S. 1474 and determined that it 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. 1474 is summarized in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Billions of Dollars												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2014	2009-2019
CHANGES IN DIRECT SPENDING													
Transfer to the Highway Trust Fund													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	1	-1	0	0	0	0	0	0	0	0	0	0	0

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted before the end of fiscal year 2009.

Transfers to the Highway Trust Fund

On June 24, 2009, the Department of Transportation (DOT) indicated that without additional funds, the Highway Trust Fund would be unable to liquidate some obligations (in the form of grants to states) in fiscal year 2009. In the absence of additional funds, those obligations would not be liquidated until 2010. S. 1474 would transfer $26.8 billion from the general fund of the Treasury to the Highway Trust Fund. The Highway Trust Fund consists of two accounts: one provides funding for highways and highway safety programs (the Highway Account); the other provides funding for mass transit programs (the Mass Transit Account). Of the amounts provided in the bill, $22 billion would be deposited in the Highway Account, and $4.8 billion would be deposited in the Mass Transit Account of the trust fund.

Based on information from DOT, CBO estimates that such a transfer would allow the Highway Account of the Highway Trust Fund to liquidate about $1 billion in obligations that the Highway Account would not otherwise have been able to meet in fiscal year 2009. In the absence of a transfer of funds as proposed by S. 1474, the trust fund would likely meet those obligations in subsequent years. As a result, CBO estimates that enacting the bill would increase outlays by about $1 billion in 2009 but would have no significant net impact on the federal budget over the 2009-2014 period. CBO estimates that the Mass Transit Account will be able to meet all obligations in 2009 without the transfer authorized in S. 1474.

DOT’s authority to obligate amounts credited to the Highway Trust Fund is largely controlled by annual limitations on obligations set in appropriation acts and the outlays from those obligations are therefore considered discretionary. Following the department’s June 24 announcement, however, the assumption that all obligations can be met in a timely fashion is no longer valid for 2009. As a result, outlays in fiscal year 2009 are likely to be lower—under current law—than previously expected. S. 1474 would provide the necessary funds to avoid that delay in spending, effectively shifting about $1 billion in outlays from 2010 back into the final two months of fiscal year 2009.

The Congress has not yet enacted an obligation limitation for highway or transit programs for 2010. Depending on the level of such limitations that will be enacted for fiscal year 2010 and on the amount of revenues that will be credited to the trust fund, the transfer of $26.8 billion to the Highway Trust Fund could also facilitate the liquidation of obligations during that year and in subsequent years.

Crediting Interest to the Highway Trust Fund

The bill also would remove a prohibition enacted in 1998 on crediting interest to unspent balances in the Highway Trust Fund. Prior to that, the Highway Trust Fund invested in short-term government securities called certificates of indebtedness. Under the bill, the fund would purchase interest-bearing Treasury securities with its unspent balances, including the funds that would be transferred by this legislation.

CBO estimates that revenues deposited in the Highway Trust Fund would total slightly less than $400 billion over the 2010-2019 period (with about $350 billion deposited in the Highway Account and about $50 billion deposited in the transit account). Assuming continued funding for the program at the 2009 level adjusted for anticipated inflation, CBO estimates that outlays from the fund over the 2010-2019 period would total about $610 billion (about $520 billion from the Highway Account and about $90 billion from the Mass Transit Account). In each year, our estimates for spending from both the Highway Account and the Mass Transit Account are higher than the estimated revenues. As a result, without the transfers provided by this legislation, CBO estimates that there would not be significant unspent balances in either fund.

CBO estimates that crediting interest earnings on unspent funds would add about $3 billion to the resources available to liquidate obligations. About two-thirds of that amount would be credited to the Highway Account and one-third to the Mass Transit Account. We estimate that those amounts would continue to be controlled by limitations on obligations set in appropriation acts and thus would not increase direct spending. However, those additional resources would facilitate future spending from the Highway Trust Fund.

Extending the Authority of the Highway Trust Fund to Make Expenditures

The bill would extend expenditure authority for the Highway Trust Fund through March 30, 2011. Under current law, such authority would expire on September 30, 2009. Without such authority, the Highway Trust Fund would be unable to liquidate obligations, and the Federal Aid Highway Administration (FHWA) would be unable to operate because expenses for FHWA administration and personnel are funded from the Highway Trust Fund. While this provision would impose no cost because outlays from the trust fund are controlled by obligation limitations, without it, the trust fund would be unable to liquidate obligations.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has reviewed S. 1474 and determined that it contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY: Sarah Puro

ESTIMATED APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis