109TH CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 109–12
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TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS

MARCH 8, 2005.—Ordered to be printed

Mr. YOUNG of Alaska, from the Committee on Transportation and Infrastructure, submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 3]

This supplemental report shows the cost estimate of the Congressional Budget Office with respect to the bill (H.R. 3), as reported, which was not included in part 1 of the report submitted by the Committee on Transportation and Infrastructure on March 7, 2005 (H. Rept. 109–12, pt. 1).

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 8, 2005.

Hon. DON YOUNG,
Chairman, Committee on Transportation and Infrastructure,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3, the Transportation Equity Act: A Legacy for Users, as reported by the House Committee on Transportation and Infrastructure on March 7, 2005. Although CBO has not yet completed a cost estimate for the entire bill, this cost estimate provides our analysis of the bill's major provisions. CBO has not had time to estimate the cost of other provisions, which include forgiving a loan (with an outstanding balance of about $12 million) to the state of California, increasing certain penalties related to transportation safety, requiring the preparation of several studies, and issuing regulations concerning a variety of transportation issues.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Lisa Cash Driskill and Susanne S. Mehlman.

Sincerely,

DOUGLAS HOLTZ-EAKIN, *Director.*

Enclosure.

39–006

H.R. 3—Transportation Equity Act: A Legacy for Users

Summary: This cost estimate provides our analysis of the major provisions of H.R. 3; CBO has not yet completed a cost estimate for the entire bill. CBO estimates that implementing the major provisions of H.R. 3 would result in new discretionary spending of $157 billion over the 2006–2010 period, assuming appropriation actions consistent with the funding levels specified in the bill. For the core programs authorized by the bill (primarily, the Federal-Aid Highway program and transit programs), H.R. 3 would provide contract authority for most of the highway and some transit programs, establish obligation limitations for the major highway programs, and authorize appropriations for other programs for fiscal years 2004 through 2009. The sum of new spending authority under the bill for those core programs is approximately $284 billion over that six-year period. Funding for 2004 and much of 2005 has already been enacted; thus, some of the spending from that total has already occurred or will occur under current law. Similarly, some of the discretionary spending from the new funding will occur after the 2006–2010 period covered by this cost estimate.

The amounts of new spending under the bill would add to outlays expected from funding previously provided. In total, CBO estimates that discretionary outlays would sum to about $214 billion over the 2006–2010 period for the affected programs (highways, safety, transit, and hazardous materials transportation).

CBO estimates that enacting the major provisions of the bill would reduce direct spending by $576 million over the 2005–2015 period. Enacting the bill also would reduce the amount of contract authority (a mandatory form of budget authority) below the levels assumed in the CBO baseline for major transportation programs by $28.3 billion over this period. Finally, the Joint Committee on Taxation (JCT) estimates that enacting sections 1601 and 1602 would reduce revenues by $138 million over the 2005–2015 period.

This estimate includes the funding levels specified in the bill, and no funding for the Minimum Guarantee program (other than the portion exempt from obligation limitations) because the bill, as approved by the Committee on Transportation and Infrastructure, would not extend authority for this program. Section 1125 specifies that most spending for highway programs in 2006 would be delayed until nearly the end of that fiscal year unless subsequent legislation were enacted to reauthorize and amend the Minimum Guarantee program.

CBO has not had time to estimate the cost of other provisions, which include forgiving a loan (with an outstanding balance of about $12 million) to the state of California, increasing certain penalties related to transportation safety, requiring the preparation of several studies, and issuing regulations concerning a variety of transportation issues.

H.R. 3 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that there would be no costs to state, local, or tribal governments to comply with that mandate. Thus, the threshold established by that act ($62 million in 2005, adjusted annually for inflation) would not be exceeded.

CBO has determined that H.R. 3 also contains private-sector mandates as defined in UMRA. CBO expects that the aggregate cost of private-sector mandates in the bill would exceed the annual threshold established in UMRA ($123 million in 2005, adjusted annually for inflation).

Estimated cost to the Government: The estimated budgetary impact of H.R. 3 over the 2005–2010 period is shown in Table 1. The effects of this legislation fall within budget function 400 (transportation).

Basis of estimate: For this estimate, CBO assumes that H.R. 3 will be enacted by May 31, 2005, when the current authority for most of the surface transportation programs expires and that future appropriation actions will be consistent with the funding levels authorized in the bill. For example, we assume that the appropriations already enacted for 2005 will be amended by supplemental appropriation actions to bring this year's funding in line with the bill's authorized levels.

TABLE 1.—ESTIMATED BUDGETARY IMPACT OF MAJOR PROVISIONS OF H.R. 3

	By fiscal year, in millions of dollars—					
	2005	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated authorization level	603	1,736	1,853	1,932	2,063	0
Estimated outlays	0	2,739	23,829	47,533	47,541	35,292
CHANGES IN DIRECT SPENDING						
Estimated budget authority	−4,856	−5,113	−4,031	−2,725	−1,650	−1,650
Estimated outlays	0	−86	−173	−115	−86	−69
CHANGES IN REVENUES [1]						
Estimated revenues	*	−4	−7	−11	−14	−17

[1] Revenue estimates provided by the Joint Committee on Taxation.
Note.—* = revenue loss of less than $500,000.

Contract authority

H.R. 3 would extend the authority for the surface transportation programs administered by the Federal Highway Administration (FHWA), the National Highway Traffic Safety Administration (NHTSA), the Federal Motor Carrier Safety Administration (FMCSA), and the Federal Transit Administration (FTA) through 2009. Under current law, most budget authority for surface transportation programs is provided as contract authority, a mandatory form of budget authority. Outlays from those programs, however, are subject to obligation limitations contained in appropriation acts and are therefore discretionary. For this estimate, CBO assumes that obligation limitations will continue to control most spending from those programs.

H.R. 3 includes obligation limitations for the Federal-Aid Highway program. Those obligation limitations total $221 billion over the 2004–2009 period ($153 billion of that total is for the 2006–2009 period). The bill does not include obligation limitations for the use of the contract authority that would be provided for transit and safety programs. For this estimate, CBO assumes that appropriation acts would include obligation limitations equal to the contract authority levels for those programs.

For the surface transportation programs, H.R. 3 would provide a total of $200.2 billion of contract authority over the 2005–2009 period.[1] This level does not include any contract authority for the Minimum Guarantee program, a part of the Federal-Aid Highway program (other than $639 million provided each year that is exempt from obligation limitations). In previous years the Minimum Guarantee program provided additional contract authority to ensure that each state received a share of the total level of contract authority provided to all states for certain programs, equal to 90.5 percent of the state's share of tax receipts to the highway trust fund. For example, in 2004 the Minimum Guarantee program provided contract authority of about $10 billion (including portions exempt from obligation limitations).

Under section 1125, most spending for highway programs in fiscal year 2006 could not begin until August 2, 2006, unless subsequent legislation were enacted to boost the Minimum Guarantee to specified levels above 90.5 percent. For this estimate, CBO does not assume enactment of such subsequent legislation, and consequently the estimated level of highway spending in 2006 under the bill is significantly less than would otherwise be expected without section 1125. That is, outlays from the 2006 funding would occur later under the bill than they would in the absence of the obligation delay under section 1125. The levels of contract authority and obligation limitations authorized by H.R. 3 for each year, however, are not affected by this provision.

The Balanced Budget and Emergency Deficit Control Act specifies that an expiring mandatory program with current-year outlays in excess of $50 million be assumed to continue at the program level in place when it is scheduled to expire. Following this assumption, under H.R. 3, CBO projects $42.3 billion in contract authority for the major surface transportation programs each year beginning in 2010.

Spending subject to appropriation

In addition to providing contract authority, H.R. 3 would authorize the appropriation of about $8.2 billion over the 2005–2009 period for the major surface transportation programs and for improving the transportation of hazardous materials. Assuming appropriation action consistent with the authorization and obligation levels specified in the bill, CBO estimates that implementing the major provisions of H.R. 3 would cost about $157 billion over the 2006–2010 period (see Table 2). The amounts of new spending under the bill would add to outlays expected from funding previously provided. In total, CBO estimates that discretionary outlays would sum to about $214 billion over the 2006–2010 period for the affected programs (highways, safety, transit, and hazardous materials transportation).

[1] H.R. 3 also provides contract authority for fiscal year 2004.

TABLE 2.—ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION FOR MAJOR PROGRAMS UNDER H.R.3 [2]

	By fiscal year, in millions of dollars—					
		2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Federal-Aid Highway Program:						
Estimated Authorization Level [2]	0	0	0	0	0	0
Estimated Outlays	0	855	18,708	40,426	38,724	27,230
Highway Traffic and Motor Carrier Safety Programs:						
Authorization Level [2]	0	0	0	0	0	0
Estimated Outlays	0	502	1,012	1,115	1,210	607
Transit Programs:						
Authorization Level [2]	576	1,707	1,823	1,932	2,063	0
Estimated Outlays	0	1,359	4,074	5,970	7,600	7,454
Hazmat Safety Program:						
Authorization Level	27	29	30	0	0	0
Estimated Outlays	0	23	36	22	6	0
Total Changes:						
Estimated Authorization Level	603	1,736	1,853	1,932	2,063	0
Estimated Outlays	0	2,739	23,829	47,533	47,541	35,292

[1] This estimate only includes the cost of major provisions of H.R. 3.

[2] Under current law, most budget authority for the Federal-Aid Highway program, highway traffic and motor carrier safety programs, and some transit programs is provided as contract authority, a mandatory form of budget authority. Outlays from those programs, however, are subject to obligation limitations contained in appropriation acts and are therefore discretionary. H.R. 3 would provide contract authority for each of those programs and also would authorize the appropriation of discretionary funds for those programs as well. For this estimate, CBO assumes that obligation limitations will continue to control most spending from those programs.

Direct spending

H.R. 3 would affect direct spending by providing new contract authority for surface transportation programs (see Table 3). Expenditures for most of those programs are controlled by annual appropriation action. The bill would provide lower amounts of contract authority for the Federal-Aid Highway program than the amounts assumed in CBO's baseline (which assumes a continuation of funding of about $37 billion a year).

In contrast, H.R. 3 would provide increases above the baseline in contract authority for transit programs and for the highway traffic and motor carrier safety programs. But on balance, the bill would provide contract authority amounts that fall below the baseline projections. Over the 2005–2015 period, that reduction from baseline levels sums to $28.3 billion. If the authorization for the Minimum Guarantee program were extended, however, that program would add to the contract authority provided by H.R. 3.

Section 3034 would reduce the amount of contract authority available to transit programs in 2005 by $576 million. CBO estimates that reduction would lower spending by $576 million over the 2006–2011 period by eliminating a portion of the resources available and assumed to be spent under current law. To replace that contract authority, the bill would authorize the appropriation of an additional $576 million for transit programs in 2005. Spending from that authorization of appropriations is included in Table 2, so that the reduction recorded as direct spending savings—included in Table 3—would be exactly offset by an increase in spending subject to appropriation.

Revenues

H.R. 3 would expand the State Infrastructure Banks and Transportation Infrastructure Finance and Renovation Act (TIFIA) programs, and JCT estimates that those provisions would lower revenues by $138 million over the 2005–2015 period (see Table 3). Under current law, five states can use grants from the Federal-Aid Highway program to fund a state infrastructure bank. States use infrastructure banks to finance transportation projects by providing loans to local governments or repaying bonds. H.R. 3 would extend that authority to all states. JCT estimates that this provision would increase the use of tax-exempt bonds and therefore decrease federal revenues.

For a project to receive credit assistance under the TIFIA program, current law requires the project's total cost to equal or exceed the lower of the following two amounts: $100 million or 50 percent of the state's grants from certain highway programs in the previous fiscal year. States can cover a portion of the remaining cost with tax-exempt bonds. H.R. 3 would change the first threshold to $50 million. JCT estimates that enacting H.R. 3 would increase the number of projects that receive credit assistance under TIFIA and therefore increase the use of tax-exempt bonds, reducing revenue collections.

TABLE 3. ESTIMATED EFFECTS ON DIRECT SPENDING AND REVENUES FOR MAJOR PROGRAMS UNDER H.R. 3 [1]

	By fiscal year, in millions of dollars—										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING											
Baseline Spending for Surface Transportation and Hazmat Safety Programs:											
Estimated Budget Authority	42,606	43,981	43,981	43,981	43,981	43,981	43,981	43,981	43,981	43,981	43,981
Estimated Outlays	947	918	880	794	777	766	758	752	748	746	744
Proposed Changes:											
Federal-Aid Highway Program:											
Estimated Budget Authority	−4,177	−5,607	−5,008	−4,221	−3,688	−3,688	−3,688	−3,688	−3,688	−3,688	−3,688
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0
Highway Traffic and Motor Carrier Safety Programs:											
Estimated Budget Authority	−103	410	449	480	515	515	515	515	515	515	515
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0
Transit Programs:											
Estimated Budget Authority	−576	84	528	1,016	1,523	1,523	1,523	1,523	1,523	1,523	1,523
Estimated Outlays	0	−86	−173	−115	−86	−69	−46	0	0	0	0
Total Changes:											
Estimated Budget Authority	−4,856	−5,113	−4,0.31	−2,725	−1,650	−1,650	−1,650	−1,650	−1,650	−1,650	−1,650
Estimated Outlays	0	−86	−173	−115	−86	−69	−46	0	0	0	0
Surface Transportation and Hazmat Safety Programs Under H.R. 3:											
Estimated Budget Authority	37,750	38,868	39,950	41,256	42,331	42,331	42,331	42,331	42,331	42,331	42,331
Estimated Outlays	947	832	707	679	691	697	712	752	748	746	744
CHANGES IN REVENUES											
Estimated Revenues [2]	*	−4	−7	−11	−14	−17	−17	−17	−17	−17	−17

[1] Includes direct spending estimates for major provisions of the bill.
[2] Estimate provided by the Joint Committee on Taxation.
Note.—* = revenue loss of less than $500,000.

Estimated impact on State, local, and tribal governments: Section 4131 of H.R. 3 contains an intergovernmental mandate as defined in UMRA because it would preempt certain state laws restricting the use of utility service vehicles. CBO estimates that this mandate would impose no costs on state, local, or tribal governments, and so the threshold established by that act ($62 million in 2005, adjusted annually for inflation) would not be exceeded.

Section 4117 of H.R. 3 would eliminate an existing mandate by repealing the single state registration system, which limits how states may regulate interstate motor carriers. At this time, CBO cannot estimate the impact of this change on the administrative burden or revenue of state transportation agencies.

Estimated impact on the private sector: CBO has reviewed H.R. 3 for private-sector mandates and determined that the bill contains mandates as defined in UMRA. CBO expects that the aggregate cost of private-sector mandates in the bill would exceed the annual threshold established by UMRA ($123 million in 2005, adjusted annually for inflation). That conclusion is based upon our analysis of the provision that would extend the federal motor carrier safety regulations (other than regulations relating to commercial driver's license and drug and alcohol-testing requirements) to additional commercial motor carriers. Under the bill, those safety requirements would apply to owners and operators of motor vehicles used to transport between nine and 15 passengers (including the driver) in interstate commerce, regardless of the distance traveled. According to representatives at the Federal Motor Carrier Safety Administration, the new regulations could cost 12,000 carriers nearly $13,000 each in the first year that the regulations are in effect and slightly less in the following years.

Estimate prepared by: Federal Costs: Lisa Cash Driskill and Susanne S. Mehlman; Impact on State, Local, and Tribal Governments: Marjorie Miller; and Impact on the Private Sector: Jean Talarico.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

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