



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 13, 2004

H.R. 5183

Surface Transportation Extension Act of 2004, Part V

As cleared by the Congress and signed by the President on September 30, 2004

SUMMARY

H.R. 5183 (enacted as Public Law 108-310) extends through May 31, 2005, the programs authorized by the Transportation Equity Act for the 21st Century (TEA-21), including the Federal-Aid Highway program, highway and motor carrier safety programs, and transit programs. For those programs, H.R. 5183 provides \$31.8 billion in contract authority (the authority to incur obligations in advance of appropriations). Of that total, \$2.7 billion in contract authority is for fiscal year 2004 and \$29.1 billion is available for the eight-month period from October 1, 2004, through May 31, 2005.

Consistent with the baseline construction rules in the Balanced Budget and Emergency Deficit Control Act, CBO assumes that funding provided for the first eight months of fiscal year 2005 will continue at the same rate through the rest of year and that all funding will continue at the same rate in each of the following years. Hence, under this law, CBO projects about \$218 billion of contract authority over the 2005-2009 period and almost \$437 billion of contract authority over the 2005-2014 period. That funding level represents an increase of \$16.8 billion above the baseline amounts projected over the 2005-2009 period and \$33.7 billion above the baseline amounts projected over the 2005-2014 period. (Those baseline projections were based on the funding levels in the previous Surface Transportation Extension Act, Public Law 108-280.)

CBO expects that most spending from those programs will be controlled by limits on annual obligations set in appropriation acts. Consequently, the changes in total contract authority would not affect mandatory outlays. H.R. 5183, however, raises the annual level of contract authority for the Federal-Aid Highway program that was previously exempt from those obligation limitations. For that reason, the act increases direct spending by an estimated \$218 million over the 2005-2014 period. H.R. 5183 does not affect revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the impact of H.R. 5183 on direct spending is shown in the following table. The act does not affect federal revenues. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN DIRECT SPENDING										
Changes in Budget Authority	3,372	3,372	3,372	3,372	3,372	3,372	3,372	3,372	3,372	3,372
Changes in Outlays	7	17	22	23	24	25	25	25	25	25

BASIS OF ESTIMATE

H.R. 5183 provides \$31.8 billion in contract authority, a form of mandatory budget authority. Of this total, \$2.7 billion in contract authority is for fiscal year 2004 and \$29.1 billion is for the first eight months of fiscal year 2005.

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. 5183, CBO projects about \$43.7 billion in contract authority for the surface transportation programs each year beginning in 2005. That amount was estimated by annualizing the eight-month figure specified in H.R. 5183.

CBO's current baseline projects annual contract authority of about \$40.3 billion for surface transportation programs, reflecting the level established by Public Law 108-280, which was enacted on July 30, 2004. Thus, H.R. 5183 increases the contract authority in the baseline projection by about \$3.4 billion for each year over the 2005-2014 period. Because most spending from that contract authority will be controlled by limits on annual obligations set in appropriation acts, the change in the projected contract authority has only a small effect on projected outlays.

TEA-21 exempts certain portions of the Federal-Aid Highway program from the obligation limitations set in appropriation acts, resulting in mandatory outlays. H.R. 5183 continues this policy for the Minimum Guarantee portion of the program and exempts \$426 million in

contract authority from any limitation on obligations. CBO assumes that this exemption continues at the same rate through the rest of fiscal year 2005 and in each of the following years. After annualizing that amount, CBO projects that, under H.R. 5183, about \$639 million of contract authority is exempt from any obligation limitation in 2005 and in each of the following years. That sum is \$25 million higher than the baseline level of exempt contract authority for the Minimum Guarantee Program; that change increases outlays from direct spending by \$218 million over the 2005-2014 period relative to the baseline.

PREVIOUS CBO ESTIMATE

On August 3, 2004, CBO transmitted an estimate of the direct spending effects of H.R. 4916, the Surface Transportation Extension Act of 2004, Part IV (Public Law 108-280). That act provided some contract authority for the first 51 weeks of fiscal year 2004 and an additional amount of contract authority for the full fiscal year. CBO's cost estimate showed a decrease in contract authority of \$1.4 billion a year relative to the baseline that existed prior to enactment of that legislation. Those amounts became part of an adjusted baseline for scoring purposes, and the budgetary impact of H.R. 5183 is measured relative to that adjusted baseline.

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