CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 1, 2005

S. 732
Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2005

As ordered reported by the Senate Committee on Environment and Public Works on March 16, 2005

SUMMARY

Assuming appropriation action consistent with the funding levels specified in the bill, and assuming the appropriation of amounts necessary to complete highway and environmental studies and regulations required by the bill, CBO estimates that implementing the legislation would cost $128.8 billion over the 2005-2010 period.

CBO also estimates that enacting the bill would increase direct spending by about $45 million over the 2005-2010 period and by about $90 million over the 2005-2015 period. Finally, the Joint Committee on Taxation (JCT) estimates that enacting the bill would reduce revenue collections by $47 million over the 2005-2010 period and by $137 million over the 2005-2015 period.

The legislation would extend the authority for the Federal-Aid Highway program. For this program, the bill would provide about $187.2 billion of contract authority (a mandatory form of budget authority) over the 2005-2009 period, and it would authorize the appropriation of about $2.1 billion over the same period. The bill also would require the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) to complete certain studies and regulations concerning highway construction, safety, planning, and environmental quality.

Consistent with the Balanced Budget and Emergency Deficit Control Act, CBO assumes for this estimate that the contract authority for the Federal-Aid Highway program would continue at the same rate provided immediately before the program would expire at the end of 2009. Hence, this estimate includes an additional $3.2 billion in contract authority in each year over the 2010-2015 period.

The bill would make several changes to current law that would affect direct spending. The legislation would increase contract authority for the Federal-Aid Highway program, provide DOT the authority to spend certain fees, and provide DOT the authority to share monetary judgments pertaining to fraud in the federal highway and transit programs with state and local agencies.

JCT estimates that enacting the bill would result in lower revenue collections by expanding the State Infrastructure Banks program and by changing the eligibility requirements of the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Under current law, five states can use grants from the Federal-Aid Highway program to fund a state infrastructure bank. The legislation would extend that authority to all states and would change the TIFIA program by making smaller projects eligible for credit assistance. Both provisions would decrease revenue collections by increasing the use of tax-exempt bonds.

The provisions of the bill reviewed by CBO contain an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by requiring states to use public and commercial data to verify an applicants' identity and meet additional minimum standards to be established by the Secretary before issuing licenses to commercial drivers. Based on information from state representatives and industry sources, CBO estimates that the costs for states to comply with those requirements would be well under the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Other costs to state or local governments would result from complying with conditions of federal assistance. In general, however, the bill would benefit states by reauthorizing federal highway programs.

The bill contains no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is shown in Table 1. The costs of this legislation fall within budget function 400 (transportation).

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted by May 31, 2005, when the current authority for most surface transportation programs expires. We also assume 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. Estimates of outlays are based on historical spending patterns of the Federal-Aid Highway program.

TABLE 1. SUMMARY OF BUDGETARY EFFECTS OF THE SAFE, ACCOUNTABLE, FLEXIBLE, AND EFFICIENT TRANSPORTATION EQUITY ACT OF 2005

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level [a]	401	421	426	433	447	0
Estimated Outlays	8	9,952	25,081	31,787	35,157	26,799
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	711	39	310	1,693	3,215	3,215
Estimated Outlays	0	9	9	9	9	9
CHANGES IN REVENUES						
Estimated Revenues [b]	-1	-3	-6	-9	-13	-16

a. Under current law, most budget authority for the Federal-Aid Highway program is provided as contract authority, a mandatory form of budget authority. Most outlays that result from the contract authority, however, are subject to obligation limitations contained in appropriation acts and are therefore discretionary. The legislation would provide contract authority for the Federal-Aid Highway program. CBO assumes appropriation action will continue to limit outlays from the portions of the Federal-Aid Highway program that are subject to limitations under current law as well as new components of the program that would be authorized by the bill.

b. Estimate provided by the Joint Committee on Taxation.

CBO estimates that implementing the bill would cost $128.8 billion over the 2005-2010 period. We also estimate that enacting the legislation would increase direct spending by $45 million over the 2005-2010 period and by about $90 million over the 2005-2015 period. JCT estimates that enacting the bill would lower revenues by $47 million over the 2005-2010 period and by $137 million over the 2005-2015 period.

Spending Subject to Appropriation

Over the 2005-2010 period, the bill would provide about $187.2 billion of contract authority and authorize the appropriation of about $2.1 billion for the Federal-Aid Highway program. The bill also would require DOT and EPA to complete certain studies and regulations. Assuming appropriation action consistent with the obligation limitations and authorizations specified in the bill, and assuming the appropriation of amounts necessary to cover the studies and regulations, CBO estimates that implementing the legislation would cost $128.8 billion over the 2005-2010 period. The bill's changes in spending subject to appropriation are detailed in Table 2.

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER THE SAFE, ACCOUNTABLE, FLEXIBLE, AND EFFICIENT TRANSPORTATION EQUITY ACT OF 2005

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Federal-Aid Highway Program Subject to Obligation Limitation						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	9,924	25,027	31,666	34,865	26,577
Specified Authorizations for Highway Programs						
Authorization Level	401	414	423	432	446	0
Estimated Outlays	8	24	49	119	290	222
Studies, Regulations, and Databases						
Estimated Authorization Level	0	7	3	1	1	0
Estimated Outlays	0	4	5	3	1	0
Total Changes						
Estimated Authorization Level	401	421	426	433	447	0
Estimated Outlays	8	9,952	25,081	31,787	35,157	26,799

Federal-Aid Highway Program. Under current law, most spending from the Federal-Aid Highway program is considered discretionary because it is controlled by annual limitations on obligations set in appropriations acts. For this estimate, CBO assumes appropriation action will continue to limit outlays from the Federal-Aid Highway program, and that such appropriation action will be consistent with obligation limitations set in the bill. We estimate that new discretionary spending under the bill for that program would total $9.9 billion in 2006 and $128 billion over the 2006-2010 period.

Specified Authorizations for Highway Programs. The bill would specify the authorization of appropriations for the Historic Bridge Preservation Program, the Magnetic Levitation Transportation Deployment Program, the Transportation Technology Innovation and Demonstration Program, and the Denali Access System. Assuming appropriation of the specified amounts, we estimate that implementing those programs would cost $8 million in 2005 and $713 million over the 2005-2010 period.

Studies, Regulations, and Databases. The bill would require DOT and EPA to complete certain studies and regulations concerning highway construction, safety, planning, and environmental quality. The bill would require DOT to assess the condition of the surface transportation system and develop a plan to ensure this system will continue to meet the nation's transportation needs. It would require EPA to improve the methodology for measuring air particles and create a database to share and maintain results from congestion mitigation and air quality programs.

The bill also would require DOT to issue regulations to improve worker injury rates and traffic flow during road construction, and it would require EPA to issue regulations for the management of air quality data during disasters. Based on information from DOT and EPA, CBO estimates that completing those studies and regulations would cost $12 million over the 2005-2010 period, subject to appropriation of the necessary amounts.

Direct Spending and Revenues

The legislation would increase contract authority—a mandatory form of budget authority—for the Federal-Aid Highway program, provide the authority to spend certain fees, and provide the authority to share certain monetary judgments. Because outlays for the Federal-Aid Highway program are controlled by limits set in annual appropriation acts, only changes in the spending of fees and monetary judgments would affect outlays. CBO estimates those changes would increase direct spending by about $90 million over the 2006-2015 period. The bill's changes in direct spending and revenues are detailed in Table 3.

Changes in Contract Authority. The legislation would increase contract authority, a mandatory form of budget authority, for the Federal-Aid Highway program over the 2005-2009 period. Because most outlays associated with the program are subject to limitation in annual appropriation acts, there are no outlay effects from increases in contract authority specified under the bill. CBO estimates that the contract authority provided for the Federal-Aid Highway program would exceed current-law baseline levels by $711 million in 2005 and $25.3 billion over the 2005-2015 period.

Consistent with the Balanced Budget and Emergency Deficit Control Act, CBO assumes for this estimate that the contract authority for the Federal-Aid Highway program would continue at the same rate provided immediately before the program would expire at the end of 2009. Hence, this estimate includes an additional $3.2 billion in contract authority, the amount above the baseline that would equal the 2009 contract authority level provided in the bill, in each year over the 2010-2015 period.

TABLE 3. ESTIMATED EFFECTS ON DIRECT SPENDING AND REVENUES FOR THE SAFE, ACCOUNTABLE, FLEXIBLE, AND EFFICIENT TRANSPORTATION EQUITY ACT OF 2005

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
DIRECT SPENDING											
Baseline Spending for the Federal-Aid Highway Program											
Estimated Budget Authority	35,038	36,569	36,569	36,569	36,569	36,569	36,569	36,569	36,569	36,569	36,569
Estimated Outlays	947	918	880	794	777	766	758	752	748	746	744
Proposed Changes:											
Federal-Aid Highway Program Changes in Contract Authority Subject to Obligation Limitations											
Estimated Budget Authority	711	30	301	1,684	3,206	3,206	3,206	3,206	3,206	3,206	3,206
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0
Spending of Fees											
Estimated Budget Authority	0	5	5	5	5	5	5	5	5	5	5
Estimated Outlays	0	5	5	5	5	5	5	5	5	5	5
Spending of Judgments											
Estimated Budget Authority	0	4	4	4	4	4	4	4	4	4	4
Estimated Outlays	0	4	4	4	4	4	4	4	4	4	4
Total Changes											
Estimated Budget Authority	711	39	310	1,693	3,215	3,215	3,215	3,215	3,215	3,215	3,215
Estimated Outlays	0	9	9	9	9	9	9	9	9	9	9
Direct Spending Under the Bill for the Federal-Aid Highway program											
Estimated Budget Authority	35,749	36,608	36,879	38,262	39,784	39,784	39,784	39,784	39,784	39,784	39,784
Estimated Outlays	947	927	889	803	786	775	767	761	757	755	753
CHANGES IN REVENUES											
Estimated Revenues [a]	-1	-3	-6	-9	-13	-16	-18	-18	-18	-18	-18

a. Estimate provided by Joint Committee on Taxation.

Spending of Certain Fees. Under current law, DOT collects fees from participants in classes held by the National Highway Institute and participants in the TIFIA program. Those fees cover a portion of the administrative costs of the classes and the TIFIA program. The bill would provide DOT the authority to spend the fees without further appropriation. Based on information from DOT, CBO estimates that the department will collect—beginning in 2006—$4 million each year from participants in classes held by the National Highway Institute and $1 million each year from participants in the TIFIA program. CBO estimates that this provision would increase direct spending by about $50 million over the 2006-2015 period.

Monetary Judgments. The bill would provide DOT the authority to share monetary judgments pertaining to fraud in the federal highway and transit programs with state and local agencies. This provision would apply to judgments in criminal prosecutions as well as civil judgments. Under current law, monetary judgments that result from criminal prosecutions are deposited in the Crime Victims Fund and later spent. Civil judgments, however, are not spent under current law. The federal government received an average of $18 million each year in monetary judgments from civil cases over the 1999-2003 period. Because the federal government pays most costs associated with fraud investigations and generally requires states to provide only 20 percent of the total cost for most surface transportation projects, we expect that DOT would share 20 percent of such judgments with the states. Hence, CBO estimates that this provision would increase direct spending by $4 million each year, beginning in 2006, and by $40 million over the 2006-2015 period.

Revenues. Enacting the bill would lower revenue collections by expanding the State Infrastructure Banks (SIBS) and the TIFIA programs. JCT estimates that enhancing both provisions would lower revenues by $47 million over the 2005-2010 period and $137 million over the 2006-2015 period.

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. The bill 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 by $81 million over the 2006-2015 period.

For a project to receive credit assistance under the TIFIA program, current law requires the projects' total cost to equal or exceed the lower of the following two amounts: $100 million, or 50 percent of the states' grants from certain highway programs in the previous fiscal year. The bill would change those two amounts to $50 million and 20 percent of the states' highway grants. Credit assistance under the TIFIA program can cover a portion of the remaining cost with tax-exempt bonds. JCT estimates that enacting the legislation would increase the number of projects that receive credit assistance under TIFIA and, therefore, increase the use of tax-exempt bonds, reducing revenue collections by $56 million over the 2006-2015 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The provisions of the bill reviewed by CBO contain an intergovernmental mandate, as defined in UMRA, by requiring states to use public and commercial data to verify an applicant's identity and meet additional minimum standards to be established by the Secretary before issuing licenses to commercial drivers. Based on information from state representatives and technology experts, CBO estimates that the costs for states to comply with those requirements would be well under the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Other costs to state or local governments to comply with grant conditions would be incurred voluntarily. In general, the bill would benefit states by reauthorizing federal highway programs.

Confirming Identities for Commercial Driver's Licenses

Section 1409 would expand an existing mandate that requires states to operate a Commercial Drivers License (CDL) program by requiring states to use public and commercial data to verify an applicant's identity and meet additional minimum standards to be established by the Secretary before issuing licenses to commercial drivers. If states do not comply with the federal requirements for licensing commercial drivers, they would be prohibited from issuing CDLs. Based on information from state representatives, some states are using a variety of technologies to verify identities, but no states are currently using the type of system required by this section. While the total cost to states depends on regulations yet to be determined, some states would incur onetime costs to upgrade technology and all states would incur ongoing transaction costs to access the information systems. CBO estimates that the total costs for states to comply with those requirements would likely be less than $5 million in the first year, and about $1 million annually thereafter for ongoing costs. States would likely recover a significant portion of their costs through fees.

Other Impacts

Subtitle E of title I, Environmental Planning and Review, would clarify and expand existing conditions of aid by requiring Metropolitan Planning Organizations (MPOs) and states to consider additional environmental factors during the planning process, and to update transportation plans more frequently. MPOs and states currently have to comply with various transportation planning requirements in order to receive federal assistance. According to MPO representatives, the provisions of the bill may require smaller organizations to hire additional staff. CBO does not expect those costs to be significant, however, and states and MPOs receive various forms of funding under current statutes to cover such expenses. This bill would increase the amounts of funds set aside for MPOs.

States would benefit from other provisions of the bill, including funding to establish or update systems to report incidents more quickly, to develop intermodal passenger facilities, and to encourage the collection of tolls on certain interstate highways and high-occupancy-vehicle lanes.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains no new private-sector mandates as defined in UMRA.

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