



July 28, 2015

Honorable Paul Ryan  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

*Re: Estimated Costs of H.R. 3236*

Dear Mr. Chairman:

The Congressional Budget Office has reviewed H.R. 3236, the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (as introduced on July 28, 2015). CBO and the staff of the Joint Committee on Taxation (JCT) estimate the bill would:

- Provide \$12 billion in contract authority (the authority to incur obligations in advance of appropriation acts) through October 29, 2015;
- Authorize an obligation limitation for fiscal year 2016 that would result in discretionary outlays totaling \$4 billion over the 2016-2025 period;
- Transfer \$8.1 billion from the general fund of the Treasury to the Highway Trust Fund; and
- Change direct spending and revenues; on net, those changes would decrease deficits by \$6.9 billion over the 2015-2025 period.<sup>1</sup>

### **New Contract Authority**

H.R. 3236 would extend the authorization for programs funded from the Highway Trust Fund through October 29, 2015, and would provide \$12 billion in contract authority for that period, including about \$8 billion for the remainder of fiscal year 2015 and about \$4 billion for the first

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1. CBO and JCT estimate that on-budget deficits would decrease by \$6.924 billion and off-budget deficits would increase by \$0.056 billion over the 2015-2025 period.

29 days of fiscal year 2016. That \$8 billion is already reflected in CBO's baseline, which includes an annualized amount for the year (\$51 billion) based on the amount that was previously authorized through July 31, 2015.

As required by the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline incorporates the assumption that contract authority for transportation programs will continue to be provided over the entire projection period in amounts that are equal to the annualized amounts provided in the last year of an authorization. Hence, CBO's baseline also includes about \$51 billion per year in contract authority for fiscal years 2016-2025. Because that sum is equal to the annualized amount that would be provided for the first 29 days of fiscal year 2016 under the bill, CBO estimates that H.R. 3236 would provide no additional contract authority relative to the baseline.

### **Discretionary Spending**

Those amounts of contract authority have traditionally been controlled by provisions in appropriation acts that limit the amount of contract authority that may be obligated. (Those provisions are known as obligation limitations.) CBO estimates that H.R. 3236 would authorize obligation limitations totaling \$4 billion for the first 29 days of fiscal year 2016 and that discretionary spending from implementing those obligation limitations would total \$4 billion over the 2016-2025 period. The bill also would authorize appropriations for certain transit programs funded from the general fund, but CBO has not completed an estimate of the cost of implementing those provisions.

### **Transfers to the Highway Trust Fund**

H.R. 3236 would transfer \$8.1 billion from the general fund of the Treasury to the Highway Trust Fund in 2015.<sup>2</sup> The transfer would increase the balances in the Highway Trust Fund, but would not, by itself, increase direct spending or affect budget deficits. The transfer would, however, make it possible for the Department of Transportation to reimburse states for CBO's projection of the fund's obligations through October 30, 2015.

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2. Pursuant to section 3302 of S. Con. Res. 11, the Concurrent Resolution on the Budget for Fiscal Year 2016, general fund transfers to the Highway Trust Fund are considered to be new budget authority and outlays for budget enforcement purposes in the House of Representatives.

## Changes in Direct Spending and Revenues

H.R. 3236 would change direct spending and revenues in the following ways (see the enclosed table):

- Authorize the surface transportation programs administered by the Federal-Aid Highway Administration, the Federal Transit Administration, the National Highway Traffic Safety Administration, the Federal Motor Carrier Safety Administration, and certain programs administered by the Pipelines and Hazardous Materials Administration through October 29, 2015.
- Reclassify certain fees collected by the Transportation Security Administration (TSA) in 2024 and 2025.<sup>3</sup>
- Authorize spending of \$3.3 billion from the Department of Veterans Affairs (VA) Choice Fund to be used for certain non-VA health care and to purchase hepatitis C drugs through October 1, 2015.
- Make various changes in tax laws, including provisions related to information reporting on mortgages, the tax basis of inherited assets, and the statute of limitations for the overstatement of tax basis.
- Provide that employees who have medical coverage under TRICARE or certain programs administered by VA would not be taken into account for purposes of determining whether the employer is large enough to be subject to employer responsibility payments under the Affordable Care Act. (CBO and JCT expect that enacting this provision would reduce the number of employers that would be required to make such employer responsibility payments, thus reducing federal revenues.) And

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3. Under current law, CBO estimates that security-related fees collected by TSA in 2024 and 2025 will total \$4.4 billion and \$4.5 billion, respectively. Because the agency's authority to collect fees in those years is largely contingent on annual appropriation action, most of those anticipated fees are classified as discretionary offsetting collections in CBO's baseline projections. H.R. 3236 would amend current law to direct TSA to collect a specified portion of such fees without further appropriation action—effectively reclassifying the specified amounts as offsetting receipts (a credit against direct spending). The remaining portion of TSA fees would remain subject to appropriation action. The total amount collected would not be affected by this provision.

- Provide that a veteran's eligibility for a health savings account would not be affected by the receipt of certain medical care for a condition related to military service.

All told, those provisions (and a few others affecting revenues) would decrease direct spending outlays by \$3.2 billion and increase revenues by \$3.7 billion over the 2015-2025 period, CBO and JCT estimate, reducing deficits by a total of \$6.9 billion over that period.

### **Long-Term Budgetary Effects**

Section 3107(b) of the Concurrent Resolution on the Budget for Fiscal Year 2016 requires CBO to provide estimates of changes in budget authority, outlays, and revenues over the 2016-2045 period for legislation that transfers amounts from the general fund of the Treasury to the Highway Trust Fund. The enclosed table shows such estimates for the 2016-2025 period. CBO estimates that, over the 2026-2045 period, the bill would result in no change in budget authority or outlays; it would cause an increase in revenues that would be equivalent to much less than one-quarter of one percent of the gross domestic product in any year over that period.

CBO estimates that enacting this legislation would not increase on-budget deficits or net direct spending by at least \$5 billion in any of the four consecutive 10-year periods beginning in 2026.

### **Intergovernmental and Private-Sector Mandates**

CBO has reviewed the non-tax provisions of the bill and determined that they contain no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Honorable Paul Ryan

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I hope this information is useful to you. If you need additional information on this amendment, the CBO staff contact is Sarah Puro.

Sincerely,

*for Robert A. Gushion*

Keith Hall  
Director

Enclosure

cc: Honorable Sander M. Levin  
Ranking Member

Honorable Bill Shuster  
Chairman  
Committee on Transportation and Infrastructure

Honorable Peter A. DeFazio  
Ranking Member

**PRELIMINARY ESTIMATE OF THE EFFECTS ON DIRECT SPENDING AND REVENUES OF H.R. 3236, THE SURFACE TRANSPORTATION AND VETERANS HEALTH CARE CHOICE IMPROVEMENT ACT OF 2015, AS INTRODUCED ON JULY 28, 2015**

|   | By Fiscal Year, in Millions of Dollars |      |        |      |      |      |      |      |      |        |        |        | 2015-  | 2015- |
|---|--|------|--------|------|------|------|------|------|------|--------|--------|--------|--------|-------|
|   | 2015                                   | 2016 | 2017   | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024   | 2025   | 2020   | 2025   |       |
| <b>CHANGES IN DIRECT SPENDING</b>   |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Transportation Contract Authority   |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Budget Authority <sup>a</sup>   | 0                                      | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0      | 0      | 0     |
| Estimated Outlays <sup>b</sup>  | 0                                      | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0      | 0      | 0     |
| TSA Aviation Security Fees  |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Estimated Budget Authority  | 0                                      | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | -1,560 | -1,600 | 0      | -3,160 |       |
| Estimated Outlays   | 0                                      | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | -1,560 | -1,600 | 0      | -3,160 |       |
| VA Choice Fund <sup>c</sup>   |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Estimated Budget Authority  | 0                                      | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0      | 0      |       |
| Estimated Outlays   | 1,147                                  | 917  | -1,564 | -500 | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 0      | 0      |       |
| Total Changes in Direct Spending  |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Estimated Budget Authority  | 0                                      | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | -1,560 | -1,600 | 0      | -3,160 |       |
| Estimated Outlays   | 1,147                                  | 917  | -1,564 | -500 | 0    | 0    | 0    | 0    | 0    | -1,560 | -1,600 | 0      | -3,160 |       |
| <b>CHANGES IN REVENUES</b>  |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Titles I and II: Revenues   | 19                                     | 171  | 592    | 385  | 401  | 426  | 467  | 534  | 603  | 639    | 667    | 1,997  | 4,908  |       |
| Title IV: Revenues  |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Reduce Penalty Payments by Employers  | 0                                      | -63  | -66    | -70  | -74  | -78  | -83  | -88  | -93  | -99    | -104   | -350   | -816   |       |
| Veterans' Eligibility for Health Savings Accounts   |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Estimated Revenues  | 0                                      | -11  | -17    | -22  | -27  | -34  | -40  | -48  | -55  | -61    | -69    | -111   | -384   |       |
| On-budget   | 0                                      | -9   | -15    | -19  | -23  | -29  | -35  | -41  | -47  | -52    | -59    | -95    | -328   |       |
| Off-budget  | 0                                      | -2   | -2     | -3   | -4   | -5   | -6   | -7   | -8   | -9     | -10    | -16    | -56    |       |
| Total Changes in Revenues   | 19                                     | 97   | 509    | 293  | 300  | 314  | 344  | 398  | 455  | 479    | 494    | 1,536  | 3,708  |       |
| On-budget   | 19                                     | 99   | 511    | 296  | 304  | 319  | 349  | 405  | 463  | 488    | 504    | 1,552  | 3,764  |       |
| Off-budget  | 0                                      | -2   | -2     | -3   | -4   | -5   | -6   | -7   | -8   | -9     | -10    | -16    | -56    |       |
| <b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b> |  |      |        |      |      |      |      |      |      |        |        |        |        |       |
| Impact on Deficit   | 1,128                                  | 820  | -2,073 | -793 | -300 | -314 | -344 | -398 | -455 | -2,039 | -2,094 | -1,536 | -6,868 |       |
| On-budget   | 1,128                                  | 818  | -2,075 | -796 | -304 | -319 | -349 | -405 | -463 | -2,048 | -2,104 | -1,552 | -6,924 |       |
| Off-budget  | 0                                      | 2    | 2      | 3    | 4    | 5    | 6    | 7    | 8    | 9      | 10     | 16     | 56     |       |

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**TABLE CONTINUED**

|   | By Fiscal Year, in Millions of Dollars |      |        |      |      |      |      |      |      |        |        | 2015- | 2015- |
|---|--|------|--------|------|------|------|------|------|------|--------|--------|-------|-------|
|   | 2015                                   | 2016 | 2017   | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024   | 2025   | 2020  | 2025  |
| <b>Memorandum:</b>  |  |      |        |      |      |      |      |      |      |        |        |       |       |
| <b>INTRAGOVERNMENTAL TRANSFERS<sup>d</sup></b>  |  |      |        |      |      |      |      |      |      |        |        |       |       |
| Intragovernmental Transfers from the General Fund to the Highway Trust Fund <sup>e</sup>  |  |      |        |      |      |      |      |      |      |        |        |       |       |
| Budget Authority  | 8,068                                  | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 8,068 | 8,068 |
| Estimated Outlays   | 8,068                                  | 0    | 0      | 0    | 0    | 0    | 0    | 0    | 0    | 0      | 0      | 8,068 | 8,068 |
| <b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES INCLUDING INTRAGOVERNMENTAL TRANSFERS FROM THE GENERAL FUND TO THE HIGHWAY TRUST FUND FOR BUDGET ENFORCEMENT PURPOSES IN THE HOUSE OF REPRESENTATIVES</b> |  |      |        |      |      |      |      |      |      |        |        |       |       |
| Impact on Deficit   | 9,196                                  | 820  | -2,073 | -793 | -300 | -314 | -344 | -398 | -455 | -2,039 | -2,094 | 6,532 | 1,200 |
| On-budget   | 9,196                                  | 818  | -2,075 | -796 | -304 | -319 | -349 | -405 | -463 | -2,048 | -2,104 | 6,516 | 1,144 |
| Off-budget  | 0                                      | 2    | 2      | 3    | 4    | 5    | 6    | 7    | 8    | 9      | 10     | 16    | 56    |

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Notes: Amounts may not sum to totals because of rounding; TSA = Transportation Security Administration; VA = Department of Veterans Administration.

- a. The bill would provide about \$8 billion in contract authority (a mandatory form of budget authority) for the last two months of fiscal year 2015 and about \$4 billion for the period from October 1, 2015, through October 29, 2015, CBO estimates. Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act for constructing its baseline for contract authority for transportation programs, CBO assumes that the contract authority for the remainder of fiscal year 2016 would be provided at the same rate as the amounts provided for the first 29 days of the year and that contract authority for years after 2016 would be equal to the amount provided for 2016, the last year of the authorization. On an annualized basis, those amounts are equal to the \$51 billion per year contained in CBO's baseline projections for contract authority for surface transportation programs.
- b. CBO expects that most of the outlays from contract authority (a mandatory form of budget authority) for surface transportation programs will continue to be controlled by obligation limitations enacted in future appropriation acts. Those outlays are classified as discretionary spending and are not shown in this table. The obligation limitation of \$50.1 billion for fiscal year 2015 was contained in the Consolidated and Further Appropriations Act, 2015. The bill would not change that obligation limitation. For fiscal year 2016, CBO estimates that appropriations language to implement the obligation limit contained in the bill, about \$4 billion, would result in outlays of about \$4 billion over the 2016-2025 period.
- c. The underlying law (Public Law 113-146) designated \$10 billion as emergency funding to provide health care to veterans through the VA Choice Program. H.R. 3236 would designate \$3.3 billion as emergency funding to provide non-VA health care (outside of the VA Choice Program) and to purchase drugs for hepatitis C.
- d. Section 2002 would transfer \$8,068 million from the general fund of the Treasury to the Highway Trust Fund in fiscal year 2015.
- e. Pursuant to section 3302 of S. Con. Res. 11, the Concurrent Resolution on the Budget for Fiscal Year 2016, general fund transfers to the Highway Trust Fund are considered to be new budget authority and outlays for budget enforcement purposes in the House of Representatives. CBO estimates that such transfers would increase the balances attributed to the Highway Trust Fund; however, those transfers would not increase direct spending or affect budget deficits.