



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 7, 2003

H.R. 3087 **Surface Transportation Extension Act of 2003**

*As cleared by the Congress on September 26, 2003,
and signed by the President on September 30, 2003*

SUMMARY

H.R. 3087 (enacted as Public Law 108-88) provides a temporary extension of the programs authorized under 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 these programs, H.R. 3087 provides about \$17.4 billion in contract authority (the authority to incur obligations in advance of appropriations) for the five-month period from October 1, 2003, through February 29, 2004. Consistent with the baseline construction rules in the Balanced Budget and Emergency Deficit Control Act, CBO assumes this funding continues at the same rate through the rest of fiscal year 2004 and in each of the following years. Hence, under this law, CBO projects almost \$209 billion of contract authority over the next five years and about \$417.4 billion of contract authority over the 2004-2013 period. That funding level represents an increase of almost \$29 billion above the amounts currently projected in CBO's baseline for those programs over the next five years and about \$53 billion above the baseline amounts projected over the 2004-2013 period. For the same five-month period, the bill also would authorize the appropriation of \$1 million for the National Driver Register program and \$609 million for the transit programs.

H.R. 3087 does not affect outlays from direct spending or revenues. CBO expects that most spending from these programs will be controlled by limits on annual obligations set in appropriation acts. Assuming appropriation action consistent with the obligation levels specified in H.R. 3087, CBO estimates that implementing the act will result in discretionary outlays of about \$16.6 billion over the 2004-2008 period and a total of almost \$800 million in subsequent years.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3087 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
DIRECT SPENDING						
Baseline Spending for Surface Transportation Programs						
Estimated Budget Authority ^a	36,853	32,484	36,853	36,853	36,853	36,853
Estimated Outlays	1,083	1,018	941	854	769	694
Proposed Changes:						
Federal-Aid Highway Program						
Estimated Budget Authority	0	9,081	4,712	4,712	4,712	4,712
Estimated Outlays	0	0	0	0	0	0
Safety Programs						
Estimated Budget Authority	0	77	77	77	77	77
Estimated Outlays	0	0	0	0	0	0
Transit Programs						
Estimated Budget Authority	0	98	98	98	98	98
Estimated Outlays	0	0	0	0	0	0
Total Changes						
Estimated Budget Authority	0	9,256	4,887	4,887	4,887	4,887
Estimated Outlays	0	0	0	0	0	0
Spending Under H.R. 3087 for Surface Transportation Programs						
Budget Authority ^a	36,853	41,740	41,740	41,740	41,740	41,740
Estimated Outlays	1,083	1,018	941	854	769	694
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Authorization Level	0	610	0	0	0	0
Estimated Outlays	0	4,421	6,934	3,027	1,310	926

- a. Budget Authority for the Federal-Aid Highway program and the safety programs is provided as contract authority, a mandatory form of budget authority. Transit programs receive both discretionary budget authority as well as contract authority. Most outlays from these program, however, are subject to obligation limitations contained in appropriation acts and are therefore discretionary.

BASIS OF ESTIMATE

For this estimate, CBO assumes appropriation action consistent with the obligation levels specified in the act. Estimates of outlays are based on historical spending patterns of the Federal-Aid Highway program, each of the highway and motor carrier safety programs, and each of the transit programs. H.R. 3087 will not affect outlays from direct spending or revenues. CBO estimates that implementing the act would cost about \$16.6 billion over the 2004-2008 period and almost \$800 million after 2008.

Direct Spending

H.R. 3087 provides almost \$17,392 million in contract authority, a form of mandatory budget authority, for the five-month period from October 1, 2003, through February 29, 2004. 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. 3087, CBO projects \$41,740 million in contract authority for surface transportation programs each year beginning in 2004. That amount is derived from computing the annualized amount for the five-month total of contract authority. By comparison, \$36,853 million in contract authority was provided for 2003.

CBO's current baseline projects an annual level of contract authority of \$36,853 million for surface transportation programs; however, the baseline also includes a reduction of almost \$4.4 billion to the contract authority in 2004 as a result of certain provisions of TEA-21 that require adjustments to contract authority for the Federal-Aid Highway program based on receipts to the highway trust fund. Under H.R. 3087, the reduction called for by TEA-21 will not occur. Thus, H.R. 3087 provides about \$9.3 billion in contract authority above the baseline level for 2004 and almost \$4.9 billion in contract authority above the baseline level each year over the 2005-2013 period.

TEA-21 exempted certain portions of the Federal-Aid Highway program from the obligation limitations set in appropriation acts, resulting in mandatory outlays. H.R. 3087 continues this policy for the Minimum Guarantee portion of the program and exempts \$266 million from any limitation on obligations. CBO assumes this exemption continues at the same rate through the rest of fiscal year 2004 and each of the following years. Under H.R. 3087, CBO projects \$639 million of contract authority will be exempt from any obligation limitation in 2004 and each of the following years. This level is equal to the baseline level of exempt contract authority for Minimum Guarantee; thus, H.R. 3087 does not affect outlays from direct spending relative to the baseline.

Spending Subject to Appropriation

Under current law, most spending on the surface transportation programs is considered discretionary because it is controlled by annual limitations on obligations set in appropriation acts. For this estimate, CBO assumes appropriation action will continue to limit spending on these programs. Because the obligation limitations and authorization levels are discretionary resources, however, CBO does not assume those funding levels would continue after February 29, 2004.

For the first five months of fiscal year 2004, H.R. 3087 authorizes the obligation of just over \$17,417 million from the combination of discretionary budget authority and mandatory contract authority that CBO assumes would be controlled by an obligation limitation. A full-year appropriation act covering transportation spending in 2004 has not been enacted. (Those programs are currently funded under Public Law 108-84—Making continuing appropriations for fiscal year 2004.) Assuming appropriation actions consistent with the obligation levels specified in H.R. 3087, CBO estimates that implementing the act would cost \$16,618 million over the 2004-2008 period and a total of \$786 million occurring in years after 2008.

ESTIMATE PREPARED BY: Rachel Milberg

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis