



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 6, 2005

H.R. 3104
Surface Transportation Extension Act of 2005, Part II

*As cleared by the Congress on June 30, 2005, and
signed by the President on July 1, 2005*

SUMMARY

H.R. 3104, enacted as Public Law 109-20, extends through July 19, 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. 3104 sets the level of contract authority (the authority to incur obligations in advance of appropriations) at \$34.9 billion for the 292-day period from October 1, 2004, through July 19, 2005. Previously, \$32.7 billion in contract authority was available for the 273-day period ending June 30, 2005.

Consistent with the baseline construction rules in the Balanced Budget and Emergency Deficit Control Act, CBO assumes that funding provided for the first 292 days of fiscal year 2005 will continue at the same rate through the rest of year and in each of the following years. Hence, under this law, CBO projects about \$261 billion in contract authority over the 2005-2010 period. Relative to the contract authority projected under the previous extension (Public Law 109-14), that funding level represents an increase of \$246 million over the 2005-2010 period and \$451 million over the 2005-2015 period.

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. 3104 also does not affect revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the impact of H.R. 3104 on direct spending is shown in the following table. 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	2015
CHANGES IN DIRECT SPENDING											
Estimated Budget Authority	41	41	41	41	41	41	41	41	41	41	41
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0

BASIS OF ESTIMATE

H.R. 3104 specifies a level of \$35.1 billion in contract authority, a form of mandatory budget authority, for the first 292 days of fiscal year 2005; however, the Consolidated Appropriations Act, 2005 (Public Law 108-447) included an across-the-board cut of 0.8 percent to budget authority for fiscal year 2005, including any contract authority subject to obligation limitations in that act. That provision reduces the amount of contract authority under H.R. 3104 to about \$34.9 billion.

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. 3104, CBO projects almost \$43.6 billion in contract authority for the surface transportation programs each year beginning with 2005. That amount was estimated by annualizing the 292-day figure specified in H.R. 3104.

Under the previous Surface Transportation Extension Act (Public Law 109-14), CBO projected annual contract authority of just over \$43.5 billion for surface transportation programs; H.R. 3104 increases the contract authority in the baseline projection by \$41 million for each year over the 2005-2015 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 no 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. 3104 continues this policy for the Minimum Guarantee portion of the program and exempts about \$511 million

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. 3104, \$639 million of contract authority will be exempt from any obligation limitation in 2005 and in each of the following years. That sum is equal to the annualized amount of exempt contract authority for the Minimum Guarantee Program under the previous extension; thus, H.R. 3104 will not affect outlays from direct spending relative to CBO's baseline projections.

PREVIOUS CBO ESTIMATE

On July 5, 2005, CBO transmitted an estimate of the direct spending effects of H.R. 2566, the Surface Transportation Extension Act of 2005 (Public Law 109-14). That act specified \$32.9 billion for the 273-day period from October 1, 2004, through June 30, 2005. This amount of contract authority was reduced to \$32.7 billion by the Consolidated Appropriations Act, 2005 (Public Law 108-447). H.R. 3104 supplements that total with additional contract authority of about \$2.2 billion for the first 19 days of the month of July.

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