CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 20, 2005

H.R. 3
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users

As cleared by the Congress on July 29, 2005, and signed by the President on August 10, 2005

SUMMARY

H.R. 3 (enacted as Public Law 109-59) extends the authority for the surface transportation programs administered by the Federal Highway Administration (FHWA), the National Highway Traffic Safety Administration (NHTSA), the Federal Motor Carrier Safety Administration (FMCSA), and the Federal Transit Administration (FTA). For those programs, CBO estimates that the act provides about $253 billion in new contract authority (the authority to incur obligations in advance of appropriations) over the 2005-2009 period. (That gross level, however, includes about $36 billion in contract authority that was previously enacted through several short-term extensions of the surface transportation programs in 2005.)

This cost estimate presents the act's effects on direct spending and revenues. CBO assumes that most spending from that contract authority will be controlled by annual limitations on obligations set in appropriation acts. (That is, the majority of H.R. 3's budgetary impact is subject to appropriation actions.) Consequently, changes in the total level of contract authority do not affect direct spending. H.R. 3 exempts $739 million of new contract authority from the obligation limitations each year; however, the CBO baseline assumes that an equal amount of contract authority is exempt from such limitations, so that provision does not affect direct spending.

CBO and the Joint Committee on Taxation (JCT) estimate that H.R. 3 will increase direct spending by $1.3 billion and reduce revenues by $1.3 billion over the 2005-2015 period. Most of the new direct spending will stem from changes to the Sport and Conservation Funds (in particular, deposits into and spending from the Aquatic Resources Trust Fund).

Consistent with the Balanced Budget and Emergency Deficit Control Act, CBO assumes that the contract authority for the surface transportation programs will continue at the level of new contract authority provided immediately before the authority for the programs will expire in 2010. Hence, this estimate includes $52 billion in new contract authority under H.R. 3 in each year over the 2010-2015 period. In addition, we estimate that the act's Revenue-Aligned Budget Authority provisions will add another $1.4 billion in 2010. Assuming appropriation actions consistent with the obligation limitations authorized in H.R. 3, CBO estimates future discretionary spending for surface transportation programs will average about $47 billion a year over the 2006-2010 period. Spending for those programs in 2004 was about $39 billion.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated effects on direct spending and revenue of H.R. 3 are summarized in Table 1. The costs of this legislation fall primarily within budget function 400 (transportation).

TABLE 1. SUMMARY OF ESTIMATED DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 3

	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	1,603	3,444	8,320	11,551	2,869	10,190	8,800	8,802	8,806	8,810	8,812
Estimated Outlays	8	36	85	114	133	152	156	156	153	156	161
CHANGES IN REVENUES											
Estimated Revenues	*	9	-165	-247	-50	-90	-97	-117	-143	-166	-189

NOTE: * = less than $500,000.

BASIS OF ESTIMATE

CBO estimates that H.R. 3 will increase direct spending by $1.3 billion over the 2005-2015 period, and JCT estimates that H.R. 3 will lower revenues by $1.3 billion over the 2005-2015 period. The act directly provides for most spending through 2009; estimates for 2010 through 2015 in large part reflect the effects of projecting the continuation of certain programs as specified in the Balanced Budget and Emergency Deficit Control Act.

Direct Spending

CBO estimates that H.R. 3 will increase direct spending by $376 million over the 2005-2009 period and $1.3 billion over the 2005-2015 period. Most of that estimated direct spending results from changes to the Sport and Conservation Funds.

For the Federal-Aid Highway program, highway traffic and motor carrier safety programs, and transit programs, H.R. 3 provides new contract authority over the 2005-2009 period. 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 to operate at the program level in place when it is scheduled to expire. For this reason, CBO assumes funding for those surface transportation programs will continue beyond their expiration.

Table 2 details the effects on levels of transportation contract authority, and Table 3 shows the effects of all changes in direct spending under the act.

TABLE 2. ESTIMATED EFFECTS ON CONTRACT AUTHORITY UNDER H.R. 3

	By Fiscal Year, Budget Authority in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Baseline Contract Authority for Surface Transportation [a]	43,347	43,347	43,347	43,347	43,347	43,347	43,347	43,347	43,347	43,347	43,347
Proposed Changes:											
Federal-Aid Highway Program (specified levels plus Equity Bonus)	1,040	2,062	4,381	5,744	5,901	5,901	5,901	5,901	5,901	5,901	5,901
Revenue-Aligned Budget Authority	0	0	2,216	3,443	2,623	1,395	0	0	0	0	0
Rescission of Highway Funds	0	0	0	0	-8,543	0	0	0	0	0	0
Highway Traffic and Motor Carrier Safety Programs	21	468	496	518	549	549	549	549	549	549	549
Transit Programs	534	823	1,106	1,716	2,204	2,204	2,204	2,204	2,204	2,204	2,204
Total Changes:	1,595	3,352	8,198	11,421	2,733	10,049	8,654	8,654	8,654	8,654	8,654
Contract Authority for Surface Transportation Under H.R. 3	44,942[b]	46,699	51,545	54,768	46,080	53,396	52,001	52,001	52,001	52,001	52,001

a. CBO's March 2005 baseline projections.

b. $36,244 million of the 2005 total was previously provided through the several short-term extensions of transportation programs enacted prior to H.R. 3.

TABLE 3. ESTIMATED EFFECTS ON DIRECT SPENDING UNDER H.R. 3

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING [a]											
Contract Authority for Surface Transportation Programs											
Estimated Budget Authority	1,595	3,352	8,198	11,421	2,733	10,049	8,654	8,654	8,654	8,654	8,654
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0
Spending from the Aquatic Resources Trust Fund											
Estimated Budget Authority	0	0	123	131	138	144	149	152	156	161	163
Estimated Outlays	0	0	29	69	104	125	137	143	147	151	156
Spending from the Boat Safety Account											
Estimated Budget Authority	0	92	1	1	1	1	1	0	0	0	0
Estimated Outlays	0	28	29	24	10	6	1	0	0	0	0
Modify Taxation of Certain Firearms and Fishing Equipment											
Estimated Budget Authority	0	0	-4	-4	-5	-5	-5	-5	-5	-6	-6
Estimated Outlays	0	0	-1	-3	-4	-5	-5	-5	-5	-6	-6
Alaska Exemption from Obligation Limitations											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	2	5	10	15	15	13	10	10	10	10
Amendments to Previously Authorized Projects											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	11	17	7	2	2	1	1	0	0	0
Reprogramming of Highway Funds											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	8	12	5	2	1	1	1	0	0	0
Debt Forgiveness											
Estimated Budget Authority	8	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	8	0	0	0	0	0	0	0	0	0	0
Crime Victims Fund											
Estimated Budget Authority	0	1	1	1	1	1	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1	1	1	1	1	1

Continued

TABLE 3. Continued

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tax Enforcement Commission											
Estimated Budget Authority	0	0	1	1	1	0	0	0	0	0	0
Estimated Outlays	0	0	1	1	1	0	0	0	0	0	0
Vessel Sale											
Estimated Budget Authority	0	-1	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-1	0	0	0	0	0	0	0	0	0
Hazmat Programs											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-13	-8	0	2	7	7	5	0	0	0
Total Changes:											
Estimated Budget Authority	1,603	3,444	8,320	11,551	2,869	10,190	8,800	8,802	8,806	8,810	8,812
Estimated Outlays	8	36	85	114	133	152	156	156	153	156	161

a. In addition to the changes shown in this table, H.R. 3 continues funding at $739 million a year for certain programs that are exempt from annual obligation limitations. That funding was assumed in the CBO baseline and thus is not shown as a change in this table.

Federal-Aid Highway Program. CBO estimates that H.R. 3 provides $209.8 billion in contract authority, a form of mandatory budget authority, for the Federal-Aid Highway program over the 2005-2009 period. H.R. 3 also rescinds $8.5 billion in unobligated balances of contract authority on the last day of fiscal year 2009; however, because the highway program historically carries large balances of unobligated contract authority, CBO expects that all of the rescinded funds will have been provided by earlier authorization laws.

The $209.8 billion of contract authority provided by H.R. 3 over the 2005-2009 period includes $160.6 billion of contract authority specified in the act, an estimated $40.9 billion of contract authority from the Equity Bonus program authorized in the act, and an estimated $8.3 billion of contract authority from provisions known as Revenue-Aligned Budget Authority (RABA). (Also, as noted earlier, about $36 billion of the total was previously provided for 2005 in several short-term extensions of the surface transportation programs.)

The Equity Bonus program provides additional contract authority to ensure that the amount of contract authority distributed to each state meets two criteria. First, each state's share of the total level of contract authority must be at least a specified percentage of that state's share of tax receipts to the Highway Trust Fund. Those percentages are set in the act and increase from 90.5 percent in 2005 to 92 percent in 2009. Second, the amount of contract authority distributed to each state must be at least a specified percentage of the average level of contract authority provided to the state under the previous surface transportation authorization law, the Transportation Equity Act for the 21st Century (TEA-21). Those percentages are also set in the act, increasing from 117 percent in 2005 to 121 percent in 2009. CBO's estimate of contract authority from the Equity Bonus program is based on information from the FHWA.

Revenue-Aligned Budget Authority. The RABA provisions adjust the total level of contract authority based on receipts to the highway account of the Highway Trust Fund. H.R. 3 includes estimates of those receipts for each year from 2007 through 2009, and each adjustment to contract authority will be determined by comparing the estimates in the legislation to the Administration's most recent estimates when the adjustment occurs. If the act's estimates of revenues are lower than those updated estimates, there will be an automatic increase in the level of contract authority provided by the act. In contrast, if the act's estimates of revenues are greater than the updated estimates, then there will be an automatic decrease to the level of contract authority provided by the act. H.R. 3, however, directs that such decreases to the level of contract authority only occurs if the balance of the highway account of the Highway Trust Fund is lower than $6 billion. The fund's balance at the end of 2004 was almost $11 billion.

Based on current CBO and JCT estimates of receipts to the highway account under H.R. 3, CBO estimates that the RABA provisions of H.R. 3 will increase the level of contract authority provided under the act by $8.3 billion over the 2005-2009 period. The RABA provisions, however, spread each adjustment evenly over a period of two years; therefore, CBO estimates that the last increase of contract authority under RABA will be $1.4 billion in 2010. Because there is significant uncertainty about the future levels of highway tax receipts, actual RABA adjustments are likely to differ from those estimates.

Projected Extension of Expiring Programs. Consistent with the Balanced Budget and Emergency Deficit Control Act, CBO projects $42.4 billion in new contract authority for the highway program each year beginning in 2010. This continuation of the program level does not include any RABA adjustments or rescissions of unobligated balances because the rescission in 2009 called for under the act will not affect the level of program operation in 2009. CBO assumes that most spending from the highway program will continue to be controlled by annual limitations on obligations in appropriation acts and that the outlays will therefore be discretionary.

CBO's March 2005 baseline projects an annual level of contract authority for the Federal-Aid Highway program of $36.5 billion and a total level of contract authority for those programs of $401.2 billion over the 2005-2015 period. Thus, for the highway program, H.R. 3 provides $55.7 billion in contract authority above that baseline level over the 2005-2015 period—nearly $6 billion a year above previously projected levels, on average.

Exempt Programs. H.R. 3 specifies that $639 million of contract authority from the Equity Bonus program is exempt from the obligation limitations set in annual appropriation acts. The act also exempts contract authority for the Emergency Relief program from such limitations; the Emergency Relief program does not expire under current law, and it receives $100 million in contract authority each year. The exemption of $739 million of contract authority from obligation limitations also occurred under the previous authorization act, and CBO’s March 2005 baseline assumes the continuation of that policy throughout the baseline period. Because the level of contract authority exempt from the limitations remains constant under H.R. 3, CBO does not estimate any change to direct spending from those provisions.

Highway Traffic and Motor Carrier Programs. H.R. 3 provides $5.7 billion in new contract authority for certain highway traffic and motor carrier safety programs over the 2005-2009 period, and CBO projects another $1.3 billion in new contract authority for those safety programs each year beginning in 2010, for a total of $13.3 billion over the 2005-2015 period. CBO assumes, however, that spending from the safety programs will continue to be controlled by annual limitations on obligations in appropriation acts and will therefore be discretionary.

By comparison, CBO's March 2005 baseline projected an annual level of contract authority for all highway traffic and motor carrier safety programs of $721 million, a total level of contract authority of $3.6 billion over the 2005-2009 period, and a total level of contract authority for those programs of $7.9 billion over the 2005-2015 period. Thus, for those safety programs, H.R. 3 provides $2.1 billion in contract authority above that baseline level over the 2005-2009 period. For 2010 and thereafter, H.R. 3 provides $549 million of contract authority for safety programs above the baseline level each year. In sum, H.R. 3 provides $5.3 billion in contract authority for safety programs above the baseline level over the 2005-2015 period.

Transit Programs. H.R. 3 provides $37.2 billion in new contract authority for transit programs over the 2005-2009 period, and CBO projects another $8.4 billion in new contract authority for those programs each year beginning in 2010, for a total of $87.3 billion over the 2005-2015 period. CBO assumes that spending from the transit programs will continue to be controlled by annual limitations on obligations in appropriation acts and that the outlays will therefore be discretionary.

CBO's March 2005 baseline projected an annual level of contract authority for transit programs of almost $6.2 billion, a total level of contract authority for those programs of $30.8 billion over the 2005-2009 period, and a total level of contract authority for those programs of $67.7 billion over the 2005-2015 period. Thus, for transit programs, H.R. 3 provides $6.4 billion in contract authority above that baseline level over the 2005-2009 period. For 2010 and thereafter, H.R. 3 provides $2.2 billion on contract authority for transit programs above the baseline level each year. In sum, H.R. 3 provides $19.6 billion of contract authority for transit programs above the baseline level over the 2005-2015 period.

Sport and Conservation Funds. H.R. 3 increases deposits to the Aquatic Resources Trust Fund (ARTF), makes the balances of boating safety account of the ARTF available to be spent, and caps the excise tax on certain hunting and fishing equipment. CBO estimates that those provisions would increase direct spending by $1.2 billion over the 2006-2015 period.

Before enactment of H.R. 3, 13.5 cents per gallon of the tax on gasoline and special motor fuels was deposited in the ARTF. H.R. 3 increased that amount to 18.3 cents per gallon, thus increasing total receipts to the trust fund. Receipts deposited in the ARTF are available to be spent in the following year without appropriation; therefore, this provision increases direct spending. CBO estimates that the provision increases direct spending by $1.1 billion over the 2007-2015 period (with no effect in 2006). The additional deposits would be used for sport fish and coastal wetland conservation activities and for boating safety grants.

H.R. 3 also makes available without further appropriation the existing balance of the boating safety account of the ARTF (about $92 million) and any interest earned on the balance until it is expended (an estimated $5 million). CBO estimates that the provision will increase direct spending by $97 million over the 2006-2015 period.

Finally, H.R. 3 caps the excise tax on certain fishing equipment. Receipts from that tax are deposited in the ARTF and the Federal Aid-Wildlife Fund. Because amounts deposited to those funds are available in the following year without appropriation, cutting such deposits would reduce direct spending by an estimated $40 million over the 2007-2015 period.

Alaska Exemption from Obligation Limitations. Most spending from the Federal-Aid Highway program is controlled by annual limitations on obligations in appropriation acts, and for this reason, the outlays are considered discretionary. Some contract authority, however, is exempt from such limitations and thus results in direct spending. H.R. 3 exempts contract authority that Alaska spends on the Alaska Highway or the Alaska Marine Highway System from obligation limitations. Because this provision increases the amount of contract authority exempt from the limitations, it increases direct spending.

CBO estimates that this provision increases direct spending by $100 million over the 2006-2015 period. That estimate is based on the total amount of contract authority FHWA estimates it will distribute under H.R. 3, the amount of contract authority FHWA estimates it will distribute to Alaska under the act, and the difference between the levels of contract authority and the obligation limitations specified in the legislation.

Amendments to Previously Authorized Projects. H.R. 3 amends the description of 19 projects authorized by TEA-21 and the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Many of the amendments switch the original authorization to a new project, while others expand the scope of the activities originally authorized. Although those funds are still available, CBO does not expect work to continue on the projects as authorized under current law. CBO does expect, however, that the projects as authorized under H.R. 3 will be completed because they represent higher priorities to states and local communities.

Because this legislation allows states and local agencies to spend money that they would not use under current law, these provisions of H.R. 3 will increase direct spending. TEA-21 and ISTEA provided $63 million in contract authority for those projects, and appropriation acts enacted over the life of TEA-21 set obligation limitations on this contract authority. Of this total, about $6 million has already been spent and another $16 million has been obligated. CBO estimates that amending the authorization of those projects will increase direct spending by $40 million over the 2005-2015 period.

Reprogramming of Highway Contract Authority. H.R. 3 provides states with greater flexibility to use contract authority originally provided before fiscal year 1991 for specific surface transportation projects. CBO does not expect work to continue on several projects authorized before 1991; therefore, this provision would increase direct spending by allowing states to spend money on projects that represent higher priorities for states and local communities. Based on a history of highway earmarks published by FHWA, CBO estimates that this provision will increase direct spending by $30 million over the 2005-2015 period.

Debt Forgiveness. H.R. 3 authorizes DOT to forgive a federal loan to the California Department of Transportation (Caltrans) for the acquisition of rights-of-way for the North Coast Railroad. The outstanding debt equals $12 million, and based on information from FHWA, CBO expects that Caltrans would have repaid the full amount in 2013. Under the Federal Credit Reform Act, the cost of modifications to outstanding loans are recorded on the budget in the fiscal year the bill is enacted on a net-present-value basis. CBO estimates that forgiving the loan to Caltrans will cost $8 million in 2005.

H.R. 3 also forgives debt held by the Lane County Transit District in Oregon and the Pee Dee Regional Transit Authority in South Carolina. Those provisions increase direct spending;

however, based on information from the Federal Transit Administration, CBO estimates the increase would be insignificant.

Crime Victims Fund. H.R. 3 raises the maximum level of criminal penalties for violations of certain regulations concerning motor carriers, movers of household goods, and the transportation of hazardous materials. The act also establishes several new criminal penalties related to transportation safety violations. Criminal penalties are recorded in the budget as revenues, then deposited in the Crime Victims Fund, and later spent. CBO estimates that those provisions will increase direct spending by $11 million over the 2005-2015 period; however, because an increase in criminal penalties also will increase revenue collections, the net impact of those provisions on the federal budget is negligible.

Tax Enforcement Commission. H.R. 3 establishes a Motor Fuel Tax Enforcement Advisory Commission to monitor the collection of motor fuel taxes and make recommendations regarding the enforcement of the tax laws, regulations, and legislation concerning revenues to the Highway Trust Fund. H.R. 3 provides such sums as are necessary to pay for the commission's expenses, and terminates the commission at the end of fiscal year 2009. Based on historical spending patterns of similar entities, CBO estimates that the commission will spend $1 million a year or $3 million over the 2006-2009 period.

Vessel Sale. In 2001, the General Services Administration (GSA) donated a floating drydock to the Tanadgusix Corporation (TDX). H.R. 3 requires TDX to return the vessel to the Administrator of the General Services. The act also directs the Administrator to transfer the vessel to a federal facility and sell it for fair market value. Based on information from GSA, CBO estimates that the sale of the vessel would lower direct spending by about $1 million in 2006.

Hazmat Safety Programs. DOT collects fees from shippers and carriers of hazardous materials. The department also provides grants to emergency responders for training and planning activities related to the transportation of hazardous materials. Prior to enactment of H.R. 3, CBO estimated that DOT would collect and spend about $14 million each year over the 2005-2015 period for this activity. H.R. 3 increases that amount to about $28 million each year; however, because the department is likely to collect the increase in fees at a different rate than it will spend the increase, CBO estimates that those changes decrease direct spending by $21 million over the 2006-2007 period and then increase direct spending by the same amount over the 2008-2014 period. In total, CBO estimates that the net impact of changes to the fees and grants will not be significant over the next 10 years.

Unified Carrier Registration. H.R. 3 establishes a new federal program for registering operators of motor carriers to replace existing programs at the state and federal levels. Under the new program, participating states will collect fees from motor carrier operators and transfer those fees to the federal government. The federal government will use the fee collections to provide grants to states for improving the safety of motor carriers. CBO estimates that the federal government will collect and spend between $25 million and $30 million each year under the new program; however, because the government is likely to spend the grants very quickly, CBO estimates that the net budgetary impact of this program will be insignificant.

Airport Conveyance. H.R. 3 authorizes the Secretary of Transportation to convey a municipal airport to the city of Rialto, California. The Secretary can spend, without further appropriation, any cash payments received as consideration for that airport. Based on information from the Federal Aviation Administration about the likely magnitude of such payments, CBO estimates that the proposed transaction will not significantly affect net direct spending in any year.

RRIF. Under the Railroad Rehabilitation and Improvement Financing (RRIF) program, the Federal Railroad Administration (FRA) provides direct loans and loan guarantees for the development of railroad infrastructure. H.R. 3 increased the total amount of outstanding loans or loan guarantees authorized under the RRIF program from $3.5 billion to $35 billion. CBO estimates that the RRIF program operates at a net cost to the federal government; however, because we expect that the total level of loans and loan guarantees is unlikely to exceed the program's existing authority until after 2015, CBO estimates that H.R. 3 will not result in any significant additional costs for this program over the next 10 years.

Under the RRIF program, borrowers can pay a premium to the government to cover the estimated subsidy cost of their loans, thus securing a loan or loan guarantee without further appropriation. After borrowers have repaid their loans, current law requires the government to return the amount of premiums that exceeded the actual subsidy cost of their loans and guarantees. The government is not authorized to collect additional money, however, if the premiums do not fully cover the subsidy cost of the loans and loan guarantees. This asymmetry in the program structure is the reason why CBO expects that RRIF is likely to have a net cost to the government over many years. The actual subsidy cost of each loan or loan guarantee made under the RRIF program may be higher or lower than what FRA initially collects from the borrower; however, after the excess premiums have been repaid, some premiums may be lower than the actual subsidy cost, but none will be higher.

The RRIF program was authorized in 1998 by the Transportation Equity Act for the 21st Century. Since 1998, FRA has approved 12 loans that total $508 million, including one loan of $100 million to Amtrak. Based on information from FRA, railroad associations, and railroads, CBO does not expect that FRA will disburse more than the $3.5 billion in loan principal authorized under current law before 2015. The bill restricts the Administration from requiring applicants to offer collateral or seek financial assistance from other sources before applying for credit under RRIF. Although those changes to the program might increase demand for credit under RRIF, CBO expects that over the next 10 years, railroads are still likely to apply for relatively small loans in comparison to the size of the program under current law.

Revenues

JCT estimates that H.R. 3 will reduce revenues by $1.3 billion over the 2005-2015 period, as shown in Table 4.

Excise Tax Credit and Imposition of Tax on Alternative Fuels. H.R. 3 creates several new tax credits relating to alternative fuels and alternative fuel mixtures, which apply only to sales and uses prior to September 30, 2009. H.R. 3 also raises the tax on certain liquids (including liquefied natural gas) that are sold for use as fuel in motor vehicles or that are used as fuel (if the sale was not taxed). JCT estimates that the net effect of those provisions is to decrease revenues by $162 million in 2007, by $265 million over the 2006-2010 period, and by $44 million over the 2006-2015 period.

Repeal of Special Occupational Taxes. Previously, producers and marketers of several types of alcoholic beverages paid taxes ranging from $250 to $1,000 per year for each business location that they operate. The American Jobs Creation Act of 2004 suspended those taxes for the period of July 1, 2005, to June 30, 2008. Under H.R. 3, such taxes are repealed permanently for proprietors of distilled spirits plants, bonded wine cellars, and certain other producers; for brewers; for wholesale dealers; and for some retail dealers. JCT estimates that repealing those taxes will decrease revenues by $50 million in 2008, by $167 million over the 2006-2010 period, and by $459 million over the 2006-2015 period.

Tax Credit for Cost of Carrying Tax-Paid Distilled Spirits. In general, wholesalers buy distilled spirits with the tax included. After purchase, the spirits are kept in wholesale inventory until eventually sold to retailers, at which point, the tax is passed along. The income tax credit created in this provision is for the costs that come with keeping products in inventory on which tax has already been paid. The credit is the number of cases of bottled distilled spirits multiplied by the average tax-financing cost per case. JCT estimates that this tax credit will reduce revenues by $9 million in 2006, by $84 million over the 2006-2010 period, and by $188 million over the 2006-2015 period.

TABLE 4. ESTIMATED CHANGES IN REVENUES UNDER H.R. 3

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN REVENUES											
Excise Tax Credit and Imposition of Tax on Alternative Fuels [a]	0	0	-162	-175	46	25	39	42	44	47	49
Repeal of Special Occupational Taxes [a]	0	0	0	-50	-59	-59	-59	-59	-59	-59	-59
Tax Credit for Cost of Carrying Tax-Paid Distilled Spirits [a]	0	-9	-17	-19	-20	-20	-20	-20	-21	-21	-21
Tax-Exempt Financing of Highways and Rail-Truck Transfer Facilities [a]	*	-5	-14	-25	-36	-50	-72	-97	-122	-146	-170
Treatment of Kerosene Used in Aviation [a]	0	48	49	50	50	50	50	50	50	49	49
Other Changes to the Tax Code[a]	-1	-22	-15	-18	-18	-20	-19	-17	-19	-20	-21
SIBS and TIFIA Programs [a]	*	-4	-7	-11	-14	-17	-17	-17	-17	-17	-17
Civil and Criminal Penalties	1	1	1	1	1	1	1	1	1	1	1
Total Changes	*	9	-165	-247	-50	-90	-97	-117	-143	-166	-189

NOTES: * = less than $500,000.

SIBS = State Infrastructure Banks; TIFIA = Transportation Infrastructure Finance and Innovation Act.

a. Estimate provided by the Joint Committee on Taxation.

Tax-Exempt Financing of Highways and Rail-Truck Transfer Facilities. This provision allows qualified highway projects and surface freight transfer facilities to be financed with tax-exempt facility bonds of up to $15 billion in the aggregate. At least 95 percent of the net proceeds of the issue for qualified highway or surface freight transfer facilities must be expended within five years of the date of issuance. JCT estimates that this provision will decrease revenues by $5 million in 2006, by $131 million over the 2006-2010 period, and by $738 million over the 2006-2015 period.

Treatment of Kerosene Used in Aviation. Kerosene can be used as diesel or aviation fuel, with higher tax rates applied to on-road use than to aviation use. H.R. 3 imposes taxes on any use of kerosene as if it were diesel for on-road use, at the rate of 24.4 cents per gallon. If the fuel is used for aviation purposes, a refund will be awarded to lower the tax to the appropriate aviation fuel rate. JCT estimates that this provision will result in more fuel being taxed at the higher tax rate for on-road use and therefore will increase revenues by $48 million in 2006, by $247 million over the 2006-2010 period, and by $495 million over the 2006-2015 period.

Other Changes to the Tax Code. H.R. 3 also contains a number of other changes to the tax code that both reduce and raise revenue. Those include modifications to the gas guzzler tax, a cap on fishing equipment taxes, modifications and exemptions for aerial excise taxes, and provisions to combat fuel fraud. Those other changes will reduce revenues by $22 million in 2006, by $89 million over the 2006-2010 period, and by $191 million over the 2006-2015 period.

State Infrastructure Banks (SIBS) and Transportation Infrastructure Finance and Renovation Act (TIFIA) Programs. H.R. 3 expands the State Infrastructure Banks and Transportation Infrastructure Finance and Renovation Act (TIFIA) programs, and JCT estimates that those provisions will lower revenues by $138 million over the 2005-2015 period. Prior to enactment of H.R. 3, five states could 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. H.R. 3 extends that authority to all states. JCT estimates that this provision will increase the use of tax-exempt bonds and therefore decrease federal revenues.

For a project to receive credit assistance under the TIFIA program, current law requires the project's total cost to equal or exceed the lower of the following two amounts: $100 million or 50 percent of the state's grants from certain highway programs in the previous fiscal year. States can cover a portion of the remaining cost with tax-exempt bonds. H.R. 3 changes the first threshold to $50 million and the second threshold to 33 1/3 percent. JCT also estimates that H.R. 3 will increase the number of projects that receive credit assistance under TIFIA and therefore increase the use of tax-exempt bonds.

Civil and Criminal Penalties. The act raises the maximum civil and criminal penalty amounts imposed on individuals for violations of certain regulations relating to motor carriers, movers of household goods, and transportation of hazardous materials. In addition, the act establishes several new civil and criminal penalties for various other transportation safety violations. In total, CBO estimates that doing so would increase governmental receipts by about $11 million over the 2005-2015 period. Half of those amounts would result from civil penalties, and half would result from criminal penalties. Collections of civil penalties are recorded in the budget as revenues. Criminal penalties are recorded as revenues, then deposited in the Crime Victims Fund, and later spent; thus the net impact of the criminal penalties on the budget will be negligible.

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