



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 21, 2009

H.R. 3357

An act to restore sums to the Highway Trust Fund and for other purposes

*As cleared by the Congress on July 30, 2009,
and signed by the President on August 7, 2009*

SUMMARY

H.R. 3357 (enacted as Public Law 111-46) transfers \$7 billion from the general fund of the U.S. Treasury to the Highway Trust Fund, appropriates \$7.5 billion to the Unemployment Trust Fund, and increases the loan-commitment level for fiscal year 2009 for both the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA). CBO estimates that H.R. 3357 will increase outlays by \$960 million in 2009, but over the 2009-2019 period, the legislation will reduce spending by \$40 million. While enactment of the law could facilitate future highway spending, such spending will be subject to future appropriation actions.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3357 is summarized in the following table. The costs of this legislation fall within budget functions 370 (housing and commerce credit), 400 (transportation), and 600 (income security).

By Fiscal Year, in Millions of Dollars													
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2014	2009-2019
CHANGES IN DIRECT SPENDING													
Transfer to the Highway Trust Fund													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	1,000	-1,000	0	0	0	0	0	0	0	0	0	0	0
Increasing Loan Limit for GNMA													
Mortgage-Backed Securities													
Estimated Budget Authority	-40	0	0	0	0	0	0	0	0	0	0	-40	-40
Estimated Outlays	-40	0	0	0	0	0	0	0	0	0	0	-40	-40
Total Changes													
Estimated Budget Authority	-40	0	0	0	0	0	0	0	0	0	0	-40	-40
Estimated Outlays	960	-1,000	0	0	0	0	0	0	0	0	0	-40	-40

Note: GNMA = Government National Mortgage Association.

BASIS OF ESTIMATE

The law transfers \$7 billion from the general fund of the Treasury to the Highway Trust Fund, appropriates \$7.5 billion to the Unemployment Trust Fund, and increases the loan-commitment level for fiscal year 2009 for both the Federal Housing Administration and the Government National Mortgage Association. CBO estimates that the law will increase outlays by \$960 million in 2009, primarily by allowing for payments to states from the Highway Trust Fund in the final two months of fiscal year 2009 instead of delaying such payments to 2010. Over the 2009-2019 period, it will reduce spending by \$40 million because the increase in GNMA loan guarantees is expected to yield net budgetary savings.

Transfers to the Highway Trust Fund

On June 24, 2009, the Department of Transportation (DOT) indicated that, without additional funds, the Highway Trust Fund would be unable to liquidate some obligations (in the form of grants to states) in fiscal year 2009. Section 1 of H.R. 3357 transfers \$7 billion from the general fund of the Treasury to the Highway Trust Fund to allow DOT to continue to liquidate those obligations in a timely manner.

Based on information from DOT, CBO estimates that such a transfer will allow the Highway Trust Fund to liquidate about \$1 billion in obligations that it would not otherwise have been able to meet in fiscal year 2009. In the absence of a transfer of funds, the trust fund probably would have met those obligations in 2010. The law will

provide the necessary funds to avoid any delay in spending, effectively shifting about \$1 billion in outlays from 2010 into the final two months of fiscal year 2009. As a result, CBO estimates that the law will increase outlays by about \$1 billion in 2009 but will have no net impact on the federal budget over the 2009-2010 period.

DOT's authority to obligate amounts credited to the Highway Trust Fund is largely controlled by annual limitations on obligations set in appropriation acts, and the outlays from those obligations are therefore considered discretionary. The Congress has not yet enacted an obligation limitation for highway or transit programs for 2010. Depending on the level of such limitations that will be enacted for fiscal year 2010 and on the amount of revenues that will be credited to the trust fund, the transfer of \$7 billion to the Highway Trust Fund may also facilitate the timely liquidation of obligations during that year and in subsequent years.

Advances to the Unemployment Trust Fund

The appropriation in section 2 will provide sufficient funding to meet the requests of states for advances so that they may ensure the payment of unemployment benefits under law. Because those costs are already assumed in CBO's baseline projections, enacting Public Law 111-46 will not increase direct spending relative to that baseline.

Unemployment insurance is an individual entitlement; thus, for baseline purposes, it is treated consistently with section 257 of the Deficit Control Act of 1985, which addresses such entitlement programs. Specifically, CBO's baseline assumes that funding for unemployment compensation will be adequate to make all payments required by law in a timely manner.

Increasing Loan Limit for GNMA Mortgage-Backed Securities

Sections 3 and 4 increase the loan-commitment levels for fiscal year 2009 for FHA and GNMA by \$85 billion and \$100 billion, respectively. CBO estimates that increasing those loan-commitment levels will result in additional collections to GNMA of about \$40 million in fiscal year 2009.

CBO estimates that increasing the commitment level for FHA will enable the agency to insure additional single-family loans during fiscal year 2009. However, CBO estimates that the subsidy rate for FHA's single-family program is zero; thus, we estimate no change in FHA spending or collections for the change in loan level. Increasing the FHA loan-commitment level along with increasing the GNMA loan-commitment level will, however, generate additional collections by GNMA.

GNMA is responsible for guaranteeing securities backed by pools of mortgages that are insured by FHA. In exchange for a fee charged to lenders or issuers of the securities, GNMA guarantees the timely payment of scheduled principal and interest due on the

pooled mortgages that back those securities. Under credit reform procedures, the value of the fees collected by GNMA is estimated to exceed the cost of defaults in each year. CBO estimates that the GNMA mortgage-backed securities (MBS) program will have a subsidy rate of -0.2 percent in 2009, resulting in additional net collection to the federal government. Most FHA single-family loan guarantees are included in this MBS program. CBO estimates that increasing the loan-commitment levels for both FHA and GNMA will enable GNMA to guarantee about \$20 billion in additional MBS, resulting in additional collections to GNMA of about \$40 million in fiscal year 2009.

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