



October 21, 2015

Honorable Bill Shuster
Chairman
Committee on Transportation
and Infrastructure
U.S. House of Representatives
Washington DC 20515

Re: Estimates of the Status of the Highway Trust Fund Based on CBO's
August 2015 Baseline

Dear Mr. Chairman:

As you requested, the Congressional Budget Office (CBO) has estimated the status of the Highway Trust Fund using the revenue and spending projections contained in CBO's August 2015 baseline, which reflects the enactment of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (Public Law 114-41). That law transferred \$8.1 billion from the general fund of the Treasury to the Highway Trust Fund. Other than accounting for that transfer, compared to the March 2015 estimates, CBO's estimate of the status of the Highway Trust Fund in August 2015 reflects small increases in projections of revenues credited to the fund and minor changes in spending. The updated estimate is provided in the enclosure, Table 1.

During fiscal year 2016, CBO projects, revenues credited to the highway and transit accounts of the Highway Trust Fund will be insufficient to meet the fund's obligations. Under current law, the trust fund cannot incur negative balances, nor is it permitted to borrow to cover unmet obligations presented to the fund. CBO projects that the highway account will have a shortfall of \$1 billion in 2016; by 2025, the cumulative shortfall will grow to \$108 billion. CBO also projects that the transit account will have a shortfall of less than \$1 billion in 2016, growing to a cumulative shortfall of \$40 billion by 2025.

Actual spending from the Highway Trust Fund, revenues credited to the trust fund, and thus any future shortfalls could vary from CBO's projections because of many factors, including weather-related construction delays, the

Honorable Bill Shuster

Page 2

responses of states and local governments to federal policies, changes in the price of motor fuels, and the price and demand for certain construction materials and labor.

The estimates of the status of the Highway Trust Fund in Table 1 reflect the assumption that the spending and revenue provisions in the Moving Ahead for Progress in the 21st Century (MAP-21) and the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 will be extended through the end of fiscal year 2025. Further, the estimates reflect an assumption that funding for programs financed by the Highway Trust Fund in subsequent years would continue at the level that the Congress provided in 2015—about \$50 billion—adjusted for inflation. Those assumptions are consistent with Congressional rules governing how CBO prepares baseline projections for discretionary spending.

I hope that this information is helpful to you. If you need further information, the CBO staff contact is Sarah Puro.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is stylized and cursive.

Keith Hall
Director

Enclosure

Cc: Honorable Peter A. DeFazio
Ranking Member

Table 1: Projections of the Status of the Highway Trust Fund Accounts– CBO's August 2015 Baseline
(Billions of dollars, by fiscal year)

	Actual 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Highway Account												
Start-of-Year Balance	4	11	8	a	a	a	a	a	a	a	a	a
Revenues and Interest ^b	34	35	35	36	36	36	36	36	36	36	35	35
Intragovernmental Transfers ^c	18	6	0	0	0	0	0	0	0	0	0	0
Outlays ^d	45	44	45	45	46	46	47	48	48	49	50	51
End-of-Year Balance	11	8	a	a	a	a	a	a	a	a	a	a
Transit Account												
Start-of-Year Balance	2	3	3	a	a	a	a	a	a	a	a	a
Revenues and Interest ^b	5	5	5	5	5	5	5	5	5	5	5	5
Intragovernmental Transfers ^c	4	2	0	0	0	0	0	0	0	0	0	0
Outlays ^d	8	8	8	8	8	9	9	9	10	10	10	10
End-of-Year Balance	3	3	a	a	a	a	a	a	a	a	a	a
Memorandum:												
Cumulative Shortfall ^a												
Highway Account	n.a.	n.a.	-1	-10	-20	-30	-41	-53	-65	-79	-93	-108
Transit Account	n.a.	n.a.	0	-4	-7	-11	-15	-19	-24	-29	-35	-40

Notes: Details may not add to totals because of rounding.
n.a. = not applicable.

a. During fiscal year 2016, CBO projects, revenues credited to the highway and transit accounts of the Highway Trust Fund will be insufficient to meet the fund's obligations. Under current law, the trust fund cannot incur negative balances, nor is it permitted to borrow to cover unmet obligations presented to the fund. Under the Balanced Budget and Emergency Deficit Control Act of 1985, however, CBO's baseline for highway and transit spending must incorporate the assumption that obligations incurred by the Highway Trust Fund will be paid in full. As a result, the cumulative shortfalls shown here are estimated on the basis of spending that would occur if obligations from the fund each year were equal to the obligation limitations enacted for 2015, adjusted for projected inflation. To meet obligations as they come due, the Department of Transportation estimates, the highway account must maintain a cash balance of at least \$4 billion and the transit account must maintain a balance of at least \$1 billion.

b. Some of the taxes that are credited to the Highway Trust Fund are scheduled to expire on September 30, 2016, among them; the taxes on certain heavy vehicles and tires and all but 4.3 cents of the federal tax on motor fuels. However, under the rules governing baseline projections, these estimates reflect the assumption that all of the expiring taxes credited to the fund will continue to be collected.

c. Sections 40201 and 40251 of the Moving Ahead for Progress in the 21st Century Act (Public Law 112-140), section 2002 of the Highway and Transportation Funding Act of 2014 (Public Law 113-159) and section 2002 of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (Public Law 114-41) required certain intragovernmental transfers in 2014 and 2015, mostly from the general fund of the Treasury, to the Highway Trust Fund.

d. Outlays include amounts transferred between the highway and transit accounts. CBO estimates that those amounts would total about \$1 billion annually.