



September 9, 2016

Honorable Jim Inhofe
Chairman
Committee on Environment
and Public Works
United States Senate
Washington DC 20510

Re: Estimates of the status of the Highway Trust Fund based on CBO's
August 2016 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 2016 baseline. These estimates are very similar to those reflected in CBO's March 2016 baseline estimates. By 2021, CBO projects, revenues credited to the highway and transit accounts of the Highway Trust Fund will be insufficient to meet the fund's obligations. The updated estimate is provided in the enclosed Table 1.

The Fixing America's Surface Transportation (FAST Act) transferred about \$71 billion, mostly from the general fund of the Treasury, to the Highway Trust Fund. Of those amounts, roughly \$52 billion were credited to the Highway Account for the 2016-2018 period and roughly \$18 billion were credited to the Transit Account for 2016. 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 the highway account will end 2016 with a balance of \$52 billion. However, by 2026, the cumulative shortfall will grow to \$80 billion. CBO also projects that the transit account will have a balance of \$18 billion in 2016, but a cumulative shortfall totaling \$31 billion by 2026.

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 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.

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The estimates of the status of the Highway Trust Fund in Table 1 reflect the assumption that the spending and revenue provisions in the FAST Act will be extended through the end of fiscal year 2026. 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 the Consolidated Appropriations Act, 2016—about \$53 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 that reads "Mark P. Haeller for". The signature is written in a cursive style and includes a long horizontal flourish underneath the name.

Keith Hall
Director

Enclosure

cc: Honorable Barbara Boxer
Ranking Member

TABLE 1. PROJECTIONS OF HIGHWAY TRUST FUND ACCOUNTS UNDER CBO'S AUGUST 2016 BASELINE

	By Fiscal Year, in Billions of Dollars											
	Actual 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
HIGHWAY ACCOUNT												
Start-of-Year Balance	11.4	9.0	52.1	43.2	34.1	24.1	12.9	0.2	a	a	a	a
Revenues and Interest ^b	35.8	36.4	36.7	37.0	37.0	36.6	35.9	35.7	35.4	35.2	34.9	34.6
Intragovernmental Transfers	6.1	51.9	0.1	0.1	0	0	0	0	0	0	0	0
Outlays ^c	44.2	45.3	45.6	46.2	47.0	47.8	48.6	49.4	50.4	51.2	52.1	52.9
End-of-Year Balance	9.0	52.1	43.2	34.1	24.1	12.9	0.2	a	a	a	a	a
TRANSIT ACCOUNT												
Start-of-Year Balance	3.5	2.9	17.8	14.6	10.9	6.9	2.6	a	a	a	a	a
Revenues and Interest ^b	5.0	5.1	5.2	5.3	5.3	5.2	5.0	4.9	4.9	4.8	4.7	4.6
Intragovernmental Transfers	2.0	18.1	0	0	0	0	0	0	0	0	0	0
Outlays ^c	7.7	8.3	8.5	9.0	9.3	9.5	10.0	10.3	10.4	10.6	10.9	10.8
End-of-Year Balance	2.9	17.8	14.6	10.9	6.9	2.6	a	a	a	a	a	a
Memorandum:												
Cumulative Shortfall ^a												
Highway Account	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-13.5	-28.5	-44.5	-61.7	-80.0
Transit Account	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-2.3	-7.6	-13.2	-19.0	-25.2	-31.4

Source: Congressional Budget Office

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

- a. Under current law, the Highway Trust Fund cannot incur negative balances. However, following the rules of the Deficit Control Act of 1985, CBO's baseline for surface transportation spending reflects the assumption that obligations presented to the Highway Trust Fund will be paid in full. The memorandum to this table shows the cumulative shortfall of fund balances, assuming spending levels consistent with levels contained in CBO's August baseline. Following baseline construction rules, those levels are estimated by adjusting the obligation limitations enacted for 2016 by projected inflation. The FAST Act authorized obligation limitations that are higher than the amounts contained in CBO's August baseline.
- b. Some of the taxes that are credited to the Highway Trust Fund are scheduled to expire on September 30, 2020, including, 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 after fiscal year 2020.
- c. Outlays also include amounts transferred from the highway to the transit account. CBO estimates that those amounts would total about \$1 billion annually.