CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 20, 2005

Reconciliation Recommendations of the Senate Committee on Environment and Public Works

As approved by the Senate Committee Environment and Public Works on October 19, 2005

SUMMARY

CBO estimates that enacting this legislation would reduce direct spending by $30 million over the 2006-2010 period and by $37 million over the 2006-2015 period.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); some state and local governments would receive lower amounts of federal contributions to transportation projects over the next several years.

Under current law, the Federal-Aid Highway program receives contract authority, a mandatory form of budget authority. Most spending from that contract authority is subject to annual limits on obligations set in appropriation acts, and for that reason, the outlays are considered discretionary. Some of the contract authority, however, is exempt from such limitations, and the resulting outlays are considered direct spending.

The Equity Bonus program is a part of the overall highway program. Of the total amount of contract authority provided for Equity Bonus each year, $639 million is exempt from the annual obligation limitations. This legislation would reduce that amount by $8 million in 2006 and increase it by an equal amount in 2007. CBO estimates that lowering the amount of contract authority exempt from the 2006 obligation limitation would reduce obligations and direct spending in that year, and would reduce direct spending by $1 million over the 2006-2010 period. The provision would have no net impact on aggregate direct spending over the next six years.

Current law also exempts the contract authority that Alaska chooses to spend on the Alaska Highway or the Alaska Marine Highway System from any obligation limitation. This legislation would delay implementation of that exemption until December 31, 2008. CBO estimates that provision would reduce direct spending by $29 million over the 2006-2010 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is shown in the following table. The savings from this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
CHANGES IN DIRECT SPENDING												
Change in Equity Bonus Exemption from Obligation Limitations												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-2	-1	2	*	*	1	0	0	0	0	-1	0
Delay in Alaska Exemption from Obligation Limitations												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-2	-5	-10	-7	-5	-2	2	*	-4	-4	-29	-37
Total Changes												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-4	-6	-8	-7	-5	-1	2	*	-4	-4	-30	-37

NOTE: * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the reconciliation bill will be enacted by the end of December 2005.

Changes in Equity Bonus Exemption from Obligation Limitations

The Equity Bonus program is a part of the overall Federal-Aid Highway program. It provides additional contract authority to ensure that the amount allocated to each state meets certain criteria, reflecting historical shares and gasoline tax revenues. Of the total amount of contract authority provided for Equity Bonus each year, $639 million is exempt from the annual obligation limitations. This legislation would reduce the amount of contract authority exempt from such limitations to $631 million in 2006 and raise the amount to $647 million in 2007, but would not change total budget authority in any year.

CBO estimates that by lowering the amount of contract authority exempt from the 2006 obligation limitation, this provision would reduce direct spending by $2 million in that year and by $1 million over the 2006-2010 period. The legislation, however, also would increase the amount of contract authority exempt from the 2007 obligation limitation by the same amount it is reduced in 2006. For that reason, this provision would have no net impact on direct spending over the next six years.

Delay in Alaska Exemption from Obligation Limitations

Current law exempts any contract authority that Alaska chooses to spend on the Alaska Highway or the Alaska Marine Highway System from the annual obligation limitations. This legislation would delay the implementation of that exemption until December 31, 2008.

CBO estimates that Alaska will use the exemption under current law to spend $47 million above the obligation limitations over the 2006-2010 period and another $53 million above the obligation limitations over the 2011-2015 period. That spending estimate is based on the difference between the amount of contract authority the Federal Highway Administration estimates it will allocate to Alaska and the obligation limitations specified in current law.

This provision would reduce direct spending over the 2006-2015 period by delaying some outlays until after 2015, and by substituting some discretionary highway funds for mandatory expenditures at the beginning of the period. On balance, CBO estimates that by postponing the time that Alaska can use contract authority above the annual obligation limitations, the legislation would reduce direct spending by $29 million over the 2006-2010 period and by $37 million over the 2006-2015 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The legislation contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would delay for one year disbursements of about $2 million from the Equity Bonus program to some states. The bill also would reduce federal contributions to the Alaska Highway and Alaska Marine Highway System by about $29 million over the next five years.

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