CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 17, 1998

H.R. 2400
Transportation Equity Act for the 21st Century (TEA 21)

As enacted on June 9, 1998, and subsequently amended by H.R. 2676, as enacted on July 22, 1998

SUMMARY

H.R. 2400 (enacted as Public Law 105-178 on June 9, 1998), as amended by H.R. 2676 (enacted as Public Law 105-206 on July 22, 1998), reauthorizes programs administered by the Department of Transportation (DOT). The act provides contract authority totaling \$172.5 billion for the Federal Highway Administration (FHWA), \$1.6 billion for the National Highway Traffic Safety Administration (NHTSA), and \$29.3 billion for the Federal Transit Administration (FTA). In addition, it authorizes the appropriation of \$14.7 billion for the 1998-2003 period for programs managed by DOT.

TEA 21 establishes new discretionary spending caps for highway and mass transit spending categories and extends excise taxes for transportation. It also lowers the existing limits on discretionary spending. In addition, TEA 21 amends veterans benefits, federal student loan programs, the Social Services Block Grant, and the Temporary Assistance for Needy Families (TANF) program.

Several provisions affect direct spending or receipts (revenues); therefore, pay-as-you-go procedures apply to the act. Many of these provisions are contained in title VIII, which also contains a provision (section 8102) exempting that title and section 1102 from pay-as-you-go procedures.

In total, CBO estimates that TEA 21 will reduce outlays from direct spending by about \$11 billion over the 1998-2003 period. (Most of the provisions creating that estimated savings, however, are exempt from pay-as-you-go procedures.) The Joint Committee on Taxation (JCT) estimates that TEA 21 will lead to a net reduction in federal revenues—all subject to pay-as-you-go procedures—of \$214 million over the same period.

In addition, TEA 21 increases the total amount of discretionary spending that is allowed under the Balanced Budget and Emergency Deficit Control Act (Deficit Control Act). It establishes two new categories of discretionary spending—one for highway spending and the other for mass transit spending. It also reduces the caps that will now apply to other discretionary spending. The spending allowed under the new caps for transportation programs exceeds the reduction in the amounts allowed for other discretionary spending by $15.4 billion over the 1999-2002 period. (The Deficit Control Act's caps on discretionary spending expire after 2002.)

CBO estimates that outlays for the transportation programs covered by TEA 21 will grow from less than $27 billion in 1998 to about $36 billion in 2003. Implementing the act will result in an additional $21 billion in outlays over the 1998-2003 period, relative to the baseline, assuming appropriation action consistent with the obligation and authorization levels specified in TEA 21. Much of that expected increase is accommodated by the net increase in discretionary caps. A summary of CBO's estimate of the act's budgetary effects is provided in Table 1.

DESCRIPTION OF MAJOR PROVISIONS

Titles I and V reauthorize FHWA's federal-aid highways program. For the components of the program that are subject to annual obligation limitations, the act provides contract authority of $23.5 billion in 1998, $27.7 billion in 1999, $28.4 billion in 2000, $29.0 billion in 2001, $29.5 billion in 2002, and $30.0 billion in 2003. (Those amounts include a total of $530 million over the 1998-2003 period for new credit subsidies.)

Title I establishes a new funding mechanism for apportioning some of the highway funds to states. The new program is called "minimum guarantee;" it replaces the former apportionment process known as "minimum allocation." Of the $34.5 billion provided for the minimum guarantee program over the 1998-2003 period, $639 million each year will be exempt from annual obligation limitations, and $2 billion each year will be within the annual obligation limitation for federal aid for highways. The estimates of minimum guarantee spending provided by the FHWA are based on information available when TEA 21 was enacted and will change as more data becomes available.

TEA 21 provides $9.4 billion for high-priority projects over the 1998-2003 period. Spending for these projects is to be included within the annual obligation limitations for the federal-aid highways program.

TABLE 1. Summary of Estimated Budget Effects of the Transportation Equity Act for the 21st Century

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	-558	3,199	3,758	3,072	3,018	2,577
Estimated Outlays	-257	-471	-434	-2,006	-3,210	-4,535
CHANGES IN RECEIPTS (REVENUES) [a]						
Estimated Revenues	0	-27	-7	-34	-74	-72
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	35	2,582	2,742	2,772	2,729	2,823
Estimated Outlays	0	929	2,981	4,630	5,692	6,419
Memorandum:						
Items Previously Included in CBO's Estimate of H.R. 2676						
Changes in Direct Spending	0	21	21	21	21	21
Changes in Receipts	0	0	0	-1	-2	-2

a. Revenue estimates provided by the Joint Committee on Taxation. Negative numbers denote a loss of revenues.

Title II reauthorizes the NHTSA highway safety program. It provides contract authority of $1.25 billion over the 1998-2003 period for the highway safety programs. Title II also provides an authorization of appropriations of $72 million in 1998 and provides $72 million a year in contract authority from 1999 through 2003 for the NHTSA operations and research program. It also authorizes appropriations of $2 million a year from 1998 through 2003 for NHTSA to maintain the national driver register, which contains driving records of individuals, $8 million in 2000 and 2001 for child passenger protection education grants, and $250,000 in 1999 for a technology assessment program.

Title III authorizes federal mass transit programs for fiscal years 1998 through 2003. It authorizes two new transit activities: an access-to-jobs program and a clean fuels program. Over that six-year period, TEA 21 provides contract authority—from the Highway Trust Fund—totaling $15.6 billion for the formula grant program, $12.6 billion for the major capital investment program, $443 million for planning and research, $254 million for administrative expenses, $24 million for university transportation research, and $400 million for the access-to-jobs program. In addition, the act authorizes the appropriation—from the general fund of the Treasury—of $11.9 billion over fiscal years 1998 through 2003 for a variety of transit programs.

Title IV reauthorizes the motor carrier safety program and provides contract authority of $644 million over the 1998-2003 period.

Title VII authorizes appropriations of $543 million over the 1998-2003 period for programs administered by NHTSA, the Federal Railroad Administration (FRA), and the Research and Special Programs Administration (RSPA). Of the $543 million, title III authorizes the appropriation of $261 million for operations and research at NHTSA from the general fund; $276 million for the high speed rail program, the Alaska railroad program, and a new light rail project; and $6 million for RSPA's one-call notification program. It also authorizes the Secretary to provide direct loans and loan guarantees totaling $3.5 billion for rail purposes.

In addition, TEA 21 changes the allocation of amounts transferred each year from the Highway Trust Fund to the boat safety account of the Aquatic Resources Trust Fund. Previously, the Secretary of Transportation could spend about one-half of such amounts for grants for state boat safety programs. The remaining funds were available for operating expenses of U.S. Coast Guard. Under section 802, only 7 percent of amounts transferred to the boat safety account are now available for Coast Guard expenses. The balance will be allocated to various state boating programs. All spending from the boat safety account will continue to be subject to appropriation.

Title VIII amends veterans benefits, federal student loan programs, the Social Services Block Grant, and the Temporary Assistance for Needy Families (TANF) program.

Title IX extends Highway Trust Fund excise taxes through fiscal year 2005 and makes several other changes that will affect federal revenues.

TEA 21 requires the Secretary of Transportation to complete numerous studies and to submit subsequent reports. It also requires the General Accounting Office (GAO) to conduct several highway and transit studies.

Other provisions would not have any significant budgetary impact and are not discussed in this estimate.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

TEA 21 affects direct spending, revenues, and spending subject to appropriation. In particular, the act provides $203.4 billion in contract authority (a form of direct spending) from 1998 through 2003 for the federal-aid highways program, the NHTSA safety grants program, the FHWA motor carrier safety grants program, and certain FTA programs. The figures in this estimate reflect changes in contract authority from CBO baseline levels. Most of the outlays from contract authority are controlled by annual obligation limitations imposed through the appropriation process. All of the projected outlays controlled by appropriation action, whether from appropriated budget authority or annually limited contract authority, are therefore classified as spending subject to appropriation and will be subject to the new discretionary caps established by TEA 21. An itemization of the estimated changes in direct spending and revenues is provided in Table 2.

BASIS OF ESTIMATE

Direct Spending

Transportation Contract Authority. As provided in the Deficit Control Act, the baseline assumes that contract authority for transportation programs continues at the 1998 funding level through 2008. TEA 21 reduces total contract authority provided for highways and transit programs in 1998. In all other years, however, TEA 21 provides more contract authority than estimated under the baseline. Table 2 shows the changes in contract authority levels, relative to the baseline. These changes have no effect on outlays because the programs are controlled by annual obligation limitations established in appropriation acts.

Change in 1998 Obligations Subject to Limitation. Section 1102 alters the 1998 obligation limitation established in the Department of Transportation and Related Agencies Appropriations Act of 1998 (Public Law 105-66) for the federal-aid highways program. The revision changes how the funds are to be distributed. CBO estimates that those changes will reduce outlays in 1998 and 1999 and will increase outlays in 2000 and several subsequent years by shifting some of the outlays from 1998 and 1999 into those later years. In total, revising the distribution of 1998 funds will reduce outlays by $112 million over the 1998-2003 period.

TABLE 2. Estimate of Direct Spending and Revenue Effects of the Transportation Equity Act for the 21st Century

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CHANGES IN DIRECT SPENDING											
Transportation Contract Authority											
Estimated Budget Authority	-938	3,421	4,441	5,423	6,357	7,283	7,283	7,283	7,283	7,283	7,283
Estimated Outlays [a]	0	0	0	0	0	0	0	0	0	0	0
Change in 1998 Obligations Subject to Limitation											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-425	-408	249	289	124	55	13	33	12	3	0
Change in 1998 Obligations Exempt from Limitation											
Estimated Budget Authority	15	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	2	5	4	2	1	1	0	0	0	0	0
Bridge Transfer and Rehabilitation											
Estimated Budget Authority	0	10	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	10	0	0	0	0	0	0	0	0	0
Veterans' Benefits											
Estimated Budget Authority	0	-232	-683	-1,671	-2,659	-3,638	-4,614	-6,081	-6,584	-7,104	-8,591
Estimated Outlays	0	-238	-687	-1,672	-2,660	-3,639	-4,615	-6,081	-6,584	-7,104	-8,592
Student Loans											
Estimated Budget Authority	365	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	165	160	0	0	0	0	0	0	0	0	0
Social Services Block Grant and TANF											
Estimated Budget Authority	0	0	0	-680	-680	-1,100	-1,100	-1,100	-1,100	-1,100	-1,100
Estimated Outlays	0	0	0	-625	-675	-960	-1,000	-1,000	-1,000	-1,000	-1,000
Aquatic Resources Trust Fund											
Estimated Budget Authority	0	0	0	0	0	32	34	45	48	49	50
Estimated Outlays	0	0	0	0	0	8	18	28	38	43	47
Total Changes											
Estimated Budget Authority	-558	3,199	3,758	3,072	3,018	2,577	1,603	147	-353	-872	-2,358
Estimated Outlays	-257	-471	-434	-2,006	-3,210	-4,535	-5,584	-7,020	-7,534	-8,058	-9,545
CHANGES IN RECEIPTS (REVENUES) [b]											
Tax-Exempt Financing	0	-1	-10	-47	-85	-92	-62	-28	-21	-25	-30
Amendments to the Internal Revenue Code	0	-26	3	13	11	20	17	32	32	36	30
Total Changes in Revenues	0	-27	-7	-34	-74	-72	-45	4	11	11	0

a. Outlays from transportation contract authority are discretionary because they are controlled by obligation limitations established in annual appropriation acts.

b. Revenue estimates provided by the Joint Committee on Taxation. Negative numbers denote revenue decreases; positive numbers denote revenue increases.

In addition, the reduction in 1998 contract authority for NHTSA's traffic safety program will require a reduction in 1998 obligations because there are no unobligated balances in the NHTSA account. CBO estimates that the reduction in obligations in 1998 will reduce outlays from direct spending by $3 million over the 1998-2003 period.

Change in 1998 Obligations Exempt from Limitation. TEA 21 increases the amount of 1998 funding for highways that is exempt from the obligation limitation. That increase stems from a combination of provisions in TEA 21 and the Surface Transportation Extension Act of 1997 (Public Law 105-130), which provided $15 million in exempt 1998 funding for the program known as minimum allocation. TEA 21 provides $639 million a year of exempt funds for the new minimum guarantee program—the same amount as assumed in the baseline. Because the $639 million level for 1998 is in addition to the $15 million previously provided by Public Law 105-130, this provision results in an increase in outlays of $15 million over the 1999-2003 period.

Bridge Transfer and Rehabilitation. One of the provisions of section 1212 directs the Secretary of the Army to transfer title of a bridge near St. Georges, Delaware, to the state of Delaware. If the transfer occurs within 180 days of enactment, the Army would provide $10 million to the state for use in rehabilitating the bridge. Based on information from the Army, CBO assumes the transfer will occur within 180 days, resulting in direct spending totaling $10 million in 1999.

Veterans' Benefits. Title VIII, subtitle B, makes several changes to veterans' benefits. In total, CBO estimates that the provisions of this subtitle will reduce outlays from direct spending by $9 billion over the 1999-2003 period.

Elimination of Benefits Due to Nicotine-Dependence. Section 8202 overturns recent decisions by the Department of Veterans Affairs (VA) entitling veterans to disability compensation benefits if they suffer health problems from nicotine dependence that began or became worse during military service. Although there is some question whether the provision as written will achieve its objectives, this estimate is consistent with Congressional intent. CBO estimates that savings will total $500 million in 1999 and $10.5 billion over the 1999-2003 period.

Increases in Veterans' Readjustment Benefits. The act boosts rates in several veterans' readjustment programs. Section 8203 raises the Montgomery GI Bill basic benefit by 20 percent, increasing outlays by $165 million in 1999 and by $860 million over the 1999-2003 period. In 1999, the full-time rate will increase from about $440 per month to $528 per month.

Sections 8204 and 8205 increase adaptive housing and automobile grants for certain veterans who have service-connected disabilities and meet eligibility criteria. CBO estimates that housing grants will increase by about 8 percent and automobile grants will increase by about 6 percent at a combined cost of $4 million per year over the 1999-2003 period.

Increases in Veterans' Income Security Programs. Section 8206 increases aid and attendance allowances by $600 annually for certain veterans currently receiving pension benefits. VA provides these special allowances to certain severely disabled veterans if they require the regular assistance of another person. CBO estimates that this provision will increase direct spending by $35 million in 1999 and by $190 million through 2003. Data from VA indicate that approximately 85,000 veterans currently receive aid and attendance under the pension program. Because current law requires VA to reduce to $90 the monthly pension benefits of certain veterans who are in Medicaid nursing homes, about 20,000 veterans will not receive the increased allowance until 2003 when that requirement expires.

Section 8207 reinstates the eligibility for dependency and indemnity compensation (DIC) of certain remarried surviving spouses of veterans. Without this legislation, DIC would terminate if a surviving spouse remarries. CBO estimates that section 8207 will cost $37 million in 1999 and $423 million through 2003.

Section 8208 changes the treatment of the special separation benefit (SSB). DoD makes a variety of separation and severance payments to service members. The laws that authorize separation payments also prohibit veterans from receiving those payments and veterans' disability compensation if both stem from a single period of service. For veterans who received a lump-sum separation payment, that prohibition delays the receipt of the disability compensation until the separation payment is offset. Under section 653 of the National Defense Authorization Act for Fiscal Year 1997, payments received after September 30, 1996, are offset by the value of the bonus minus the amount of federal tax withheld from the payment, but separation payments made prior to September 30, 1996, must be offset by the full amount of the bonus. Section 8208 extends the more favorable treatment of SSB to payments made before September 30, 1996. Near-term costs are negligible because most disability compensation would still be deferred. By 2003, however, many of these SSB recipients will begin qualifying for veterans' compensation. Estimated costs in 2003 will be about $4 million. (The costs of this provision will end in about 2012; we estimate that costs will cumulate to about $100 million over the 1999-2012 period.)

Section 8210 (as added by H.R. 2676) raises rates for survivors and dependents' educational assistance programs by 20 percent. CBO estimates that the provision would increase annual outlays by $21 million.

Student Loans. Section 8301 changes the interest rates for borrowers and lenders on all new loans issued in the federal student loan programs between July 1, 1998, and October 1, 1998. Provisions affecting federal student loans are assessed under the requirements of credit reform. As such, the budget records all the costs and collections associated with a new loan on a present-value basis in the year the loan is obligated. The interest rate changes included in TEA 21 increase program costs by $165 million in 1998 and by $160 million in 1999.

Without the change made by TEA 21, a new formula for establishing the variable interest rate on guaranteed and direct student loans was scheduled to take effect in July 1998.[1] The interest rate received by private lenders would have been the interest rate on bonds of comparable maturity plus 1 percentage point.[2] Borrowers would have paid the same rate, but no more than 8.25 percent. To the extent that the yield to lenders exceeds the rate paid by borrowers, the federal government pays lenders the difference, which is called a special allowance. In addition, the federal government pays the interest for student borrowers with subsidized loans while they are in school or in a period of grace or deferment.

For all new loans issued between July 1, 1998, and October 1, 1998, TEA 21 sets the rate paid by student borrowers at the bond-equivalent 91-day Treasury bill rate plus 1.7 percentage points while the borrower is in school, grace, or deferment and 2.3 percentage points when the borrower is in repayment. Lenders will receive a rate that is 50 basis points (0.5 percentage points) higher, and the difference will be paid by the federal government. In addition, the cap of 8.25 percent on borrower's rates will be retained. (Section 8301 also changes the rates on direct and guaranteed parent loans but leaves guaranteed consolidated loans unchanged.)

The costs of these changes are associated with the new, minimum 50-basis-point special allowance payment as well as the increased exposure of the federal government to interest rate subsidies when rates rise sufficiently to cause the borrowers' interest rates to be constrained by the statutory caps. The new interest rate structure will move the interest rates closer to the caps. Moreover, the 91-day Treasury bill is a more volatile instrument than the 10-year bond rate. These costs are partially offset by higher interest payments by borrowers in the direct loan program.

In estimating the expected federal costs of the change in the interest rate formula, CBO used a vector autoregressive model to simulate the variation in interest rates around the CBO's

1. Before July 1998, borrowers in the guaranteed and direct student loan programs pay the bond equivalent of the 91-day Treasury bill rate plus 2.5 percentage points while the borrower is in school, grace, and deferment and 3.1 percentage points when the borrower is in repayment. The interest rate cap is 8.25 percent. The interest rate on guaranteed and direct parent loans is the bond equivalent of the 365-day Treasury bill rate plus 3.1 percentage points, with a cap of 9 percent.

2. The CBO baseline assumes that the rate on bonds of comparable maturity is the 10-year bond rate. Recently, the Administration has indicated that it expects to use a blended rate of 10-year and 20-year maturities.

baseline forecast. The model provided probabilities of how often and by how much the simulated rates exceeded the 8.25 percent interest rate cap. These probabilities were then used in CBO's model of the student loan program to estimate changes in subsidy costs.

Social Services Block Grant and TANF. Section 8401 reduces annual funding for the Social Services Block Grant (SSBG) to $1.7 billion in 2001 and thereafter. That change lowers the authorization level by $680 million in 2001 and 2002 and $1.1 billion in each of the following years. Section 8401 also limits the amount that states can transfer from the Temporary Assistance for Needy Families (TANF) program into the Social Services Block Grant to 4.25 percent of TANF funds in 2001 and thereafter. The current limit on transfers is 10 percent.

The section will affect TANF spending in two ways. First, the reduction in the SSBG will tend to accelerate TANF spending as states attempt to make up for some of the reduction in the Social Services Block Grant. Second, the reduction in the limit on transfers will tend to slow down the rate of TANF spending until states find other uses for the funds. The net effect on TANF spending will be small costs or savings in 2001 and 2002 and a $100 million annual cost in 2003 through 2008.

Taken together, CBO estimates that these changes in SSBG and TANF will reduce spending by $625 million in 2001 and $7.3 billion from 2001 through 2008.

Aquatic Resources Trust Fund (ARTF). Section 9005 extends through fiscal year 2005 transfers of excise taxes on motorboat and small engine fuels from the Highway Trust Fund into the ARTF. This section also increases deposits to the ARTF of some of the amounts earned from these excise taxes that are currently deposited in the general fund for deficit reduction purposes. Previously, 6.8 cents of the 18.3 cents per gallon earned from excise taxes on motorboat and small engine fuels were deposited in the general fund. Section 9005 will reduce transfers to the general fund (and raise deposits to the ARTF) by 1.5 cents per gallon beginning in fiscal year 2002 and by 2 cents per gallon beginning in fiscal year 2004. CBO estimates that the phased-in increase in the portion of motorboat and small engines fuels taxes transferred to the ARTF will raise direct spending from the fund's sport fish restoration account by $8 million in 2003 and increasing amounts thereafter.

Minimum Guarantee. The federal-aid highways program formerly contained a component known as "minimum allocation" that TEA 21 replaced with a new program called "minimum guarantee." Both of those programs provide funding to states that is exempt from the annual limitations established in appropriation acts. The amount of minimum guarantee spending that is exempt from such limitations is $639 million a year through 2003—the same amount as assumed under the CBO baseline for the minimum allocation program. Hence, this provision would cause no change in direct spending. (TEA 21 provides for additional minimum guarantee spending, but such additional spending would come under the annual obligation limitations.)

Miscellaneous. This act would give the Secretary of Transportation the authority to establish separate funds in the U.S. Treasury to collect payments and revenues from nongovernmental organizations. This would affect direct spending through the collection of offsetting receipts and the subsequent spending of those receipts. CBO estimates that the net effects on direct spending would be negligible in each year.

Revenues

Tax-Exempt Financing. Three provisions in TEA 21 will likely lead to an increase in tax-exempt financing. The Joint Committee on Taxation estimates that those three provisions will reduce federal revenues by $1 million in fiscal year 1999 and by a total of $235 million over the 1999-2003 period.

Title I, subtitle E, establishes the Transportation Infrastructure Finance and Innovation (TIFIA) program and a pilot program for state infrastructure banks (SIBs). While TIFIA makes changes to the Internal Revenue Code, it provides for various forms of credit enhancement to attract private capital to large transportation projects. Similarly, the SIBs program allows certain states to elect to use a portion of their highway funds to provide capitalization for state infrastructure banks, which provide credit enhancement to certain transportation infrastructure projects that are expected to generate their own source of funding during operation. TIFIA and SIBs also allow states, with the consent of the Secretary of Transportation, to enter into interstate compacts to provide for the financing of multistate projects. The contemplated projects may be financed with taxable or, under certain conditions, with tax-exempt debt, and are expected to be self-supporting. Because the TIFIA and SIBs programs are designed to leverage new investment financed (at least in part) by additional tax-exempt debt, JCT estimates that those two provisions will result in a loss in federal revenues of $230 million over the 1999-2003 period.

In addition, section 9011 of H.R. 2676 amends section 5210 of H.R. 2400 such that the Secretary of Transportation may use up to 25 percent of the funds provided for under the intelligent transportation system integration program to make available loans, lines of credit, and loan guarantees for projects that have significant intelligent transportation elements. This provision provides that the credit assistance should be made available in a manner consistent with the TIFIA program. Like TIFIA, this provision is designed to leverage new investment finances (at least in part) by additional tax-exempt debt; therefore, the JCT estimates it will result in a loss in federal revenues of $5 million over the 1999-2003 period.

Amendments to the Internal Revenue Code. Title IX extends the motor fuel taxes and related Highway Trust Fund taxes through September 30, 2005. Because the baseline (as defined in the Deficit Control Act) assumes that expiring excise taxes dedicated to trust funds are extended, the extension has no effect on projected revenues. Several of the provisions of title IX affect revenues. Their effects were estimated by the Joint Committee on Taxation. The ethanol excise tax exemption, which was included in the baseline at its current level, was extended at a lower level. The 1.25 cents per gallon tax on railroad diesel fuel was repealed. The list of qualified transportation fringe benefits was expanded, but indexing of the maximum allowed amount was delayed. JCT estimates that these provisions will result in a loss of $26 million in 1999 revenues, followed by increases in revenues in subsequent years. In total, JCT estimates that these provisions will increase revenues by $20 million over the 1999-2003 period.

Spending Subject to Appropriation

For purposes of this estimate, CBO assumes that the amounts authorized for highways and transit programs will be appropriated for each fiscal year. Outlay estimates for all of the spending subject to appropriation are based on historical spending patterns for the affected programs. Because most of the outlays from contract authority are governed by annual obligation limitations in appropriation acts, they are classified as changes in spending subject to appropriation. Table 3 provides a comparison of discretionary spending under TEA 21 and the baseline (which reflects 1998 appropriation action and adjustments in subsequent years for anticipated inflation). To estimate discretionary outlays, CBO used the obligation limitations specified in TEA 21. For programs that do not have specified obligation limitations, we assume that obligations will be equal to the contract authority provided in each year, except that for 1998, the obligation limitations established in Public Law 105-66 apply.

TABLE 3. Discretionary Spending for Highway and Transit Programs

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
OUTLAYS SUBJECT TO APPROPRIATION						
Estimated Outlays Under the Baseline	25,214	26,325	26,986	27,703	28,134	28,806
Changes in Estimated Outlays:						
Subject to appropriation action	0	929	2,981	4,630	5,692	6,419
Attributable to TEA 21 [a]	-425	-408	249	289	124	55
Total	-425	521	3,230	4,919	5,816	6,474
Estimated Outlays Under TEA 21	24,789	26,846	30,216	32,622	33,950	35,280
Memorandum:						
Estimated Outlays by Category of Discretionary Spending						
Highway	19,955	21,910	24,445	26,207	26,978	27,729
Mass Transit	4,396	4,405	4,757	5,162	5,652	6,184
Other	438	531	1,014	1,253	1,320	1,367
Total	24,789	26,846	30,216	32,622	33,950	35,280

a. Changes in discretionary outlays that are attributable to TEA 21's change in the 1998 obligation limitations for the federal-aid highways and NHTSA safety grants programs. Those effects are included in Table 2 because they were charged to TEA 21 as changes in direct spending. They are reproduced here to provide estimates of total spending subject to appropriation.

CBO estimates that spending subject to appropriation will be $21 billion higher than baseline levels over the 1999-2003 period under TEA 21, assuming appropriation consistent with the act. Of the $21 billion in additional discretionary outlays over the 1999-2003 period, $14 billion are for highway programs and $7 billion are for transit programs. Most of the highway and transit spending under TEA 21 is regulated by new discretionary caps for each of those two categories, but the act also authorizes funding for several new programs and expansions of some existing programs. That additional funding is subject to the other discretionary caps. The memorandum at the bottom of Table 3 shows the split of estimated outlays for the three categories: highway, mass transit, and other.

Highways and Highway Safety. The $14 billion in additional highway spending stems from both contract authority ($12 billion) and authorizations of appropriated budget authority ($2 billion). Outlays under the newly created highway caps will total $21.9 billion in 1999, assuming appropriation action consistent with TEA 21, and will rise to $27.7 billion in 2003. In addition, highway activities to be funded from the existing discretionary caps will total

$2.6 billion over the 1999-2003 period, again assuming appropriation action consistent with TEA 21.

The estimated increase in outlays from appropriated budget authority is primarily for new programs, such as miscellaneous highway programs and infrastructure development for the U.S. Winter Olympics in 2002, to be funded in the other category. TEA 21 authorizes the appropriation of $1.2 billion over the 1998-2003 period for new highway programs. Two of the larger authorizations include $250 million for the joint partnership for advanced vehicles program and $950 million for magnetic levitation grants. In addition to the amounts specifically authorized, the act authorizes such sums as necessary for transportation activities related to the Winter Olympics in Salt Lake City, Utah, the Special Olympics World Summer Games in North Carolina in 1999, the World Winter Games in Alaska in 2001, and for low-speed magnetic levitation. Based on information from the U.S. Olympic Committee, the Special Olympics, and Congressional sources, CBO estimates costs will total $335 million for the U.S. Olympic Committee and $8 million for Special Olympics over the 1999-2003 period. Funds provided for the Winter Olympics will assist primarily in building roads and meeting aviation and transit needs, while funds provided for the Special Olympics will assist primarily in transporting athletes.

In addition, CBO estimates that outlays for new FRA, NHTSA, and RSPA programs will total $479 million over the 1999-2003 period, assuming appropriation of the authorized amounts. New rail programs would account for $206 million in new outlays, new NHTSA programs would account for $267 million in new outlays, and RSPA would account for $6 million in outlays. Only $9 million of these amounts is included under the new highway discretionary category; the rest is to be funded under the other discretionary caps.

Transit. Of the $7 billion in additional transit spending over the 1999-2003 period, approximately $2 billion is from authorizations of appropriated budget authority, and $5 billion is from contract authority. CBO estimates that outlays under the newly created mass transit caps will total $4.4 billion in 1999, assuming appropriation action consistent with TEA 21, and will rise to $6.2 billion in 2003. In addition, transit activities to be funded under other discretionary caps will total $2.8 billion over the 1999-2003 period, again assuming appropriation action consistent with TEA 21.

Over the 1998-2003 period, TEA 21 authorizes the appropriation of $11.9 billion for transit programs, of which about $400 million has been appropriated for 1998. In addition, $200 million has already been appropriated for the Washington Metropolitan Area Transit Authority. Approximately $800 million of the increase in estimated spending from appropriated budget authority is for new transit programs: the access-to-jobs program and the clean fuels program. The majority of new transit spending is attributable to increased funding levels for the major capital investment and formula grant programs.

The act authorizes funding of $150 million, from contract authority and authorizations of appropriations, for a new access-to-jobs program for each fiscal year from 1999 through 2003. For the other new program—the clean fuels initiative—the act authorizes funding of $200 million each year beginning in 1999, of which $100 million is contract authority and $100 million is to come from future appropriations.

Miscellaneous. TEA 21 requires DOT to prepare and promulgate regulations and to conduct numerous studies and publish subsequent reports. CBO estimates that completing the required regulations and reports would cost several million dollars each year. Funding for those activities would come from the amounts authorized in the act. In addition, the act requires GAO to complete studies and subsequently publish reports. According to GAO, the cost of completing these studies and reports will be significant, but no precise estimate is available at this time.

CHANGES TO CAPS ON DISCRETIONARY SPENDING

TEA 21 established two new caps that apply to highway spending and mass transit spending. It also reduced the cap on nondefense spending in 1999 and the caps on other discretionary spending in 2000, 2001, and 2002. (H.R. 2676 modified the caps on nondefense spending in 1999 and on other discretionary spending in 2000, increasing them by a total of $65 million over fiscal years 1999 and 2000, as compared to the levels specified in H.R. 2400.) As shown in Table 4, the new caps on highway and mass transit spending exceed the reduction in the caps on other spending allowed under the Balanced Budget and Emergency Deficit Control Act by $15.4 billion in 1999 through 2002. (The caps in the Deficit Control Act expire after 2002.)

TEA 21 also requires that the caps on highway spending specified in the legislation be adjusted each year to reflect differences between current and future estimates of revenues that will be attributed to the Highway Trust Fund. In addition, the act requires that both the caps on highway spending and the caps on mass transit spending be adjusted each year to reflect any changes in technical estimates of the outlays that will result from the funding levels assumed in TEA 21.

TABLE 4. Changes in Caps on Discretionary Outlays

	By Fiscal Year, in Millions of Dollars			
	1999	2000	2001	2002
CHANGES IN CAPS ON DISCRETIONARY OUTLAYS				
New Transportation Caps				
Highway	21,885	24,436	26,204	26,977
Mass Transit	4,401	4,761	5,190	5,709
Reduction in Existing Caps	-25,144	-26,009	-26,329	-26,675
Net Changes	1,142	3,188	5,065	6,011

Estimated outlays under the highway category in Table 3 are different than the caps shown in Table 4 because those caps do not reflect the effect of a provision in TEA 21 that made available an additional $70 million of obligation authority in 1998. The annual differences between the outlay caps and estimated highway outlays (as shown in Table 3) are the estimated outlays for each year from that $70 million in additional 1998 obligations. Estimated outlays under the mass transit category in Table 3 are different than the caps shown in Table 4 because TEA 21 specified a different distribution of the formula grants funds than was assumed in the calculation of the mass transit caps.

PREVIOUS CBO ESTIMATES

On June 19, 1998, CBO provided a pay-as you-go estimate for H.R. 2400, as cleared by the Congress on May 22, 1998. On July 22, 1998, CBO provided a pay-as-you-go estimate for H.R. 2676, as cleared by the Congress on July 9, 1998. H.R. 2676 contained the technical corrections provisions for H.R. 2400.

With only one exception, this cost estimate reflects the combination of direct spending and revenue estimates provided in the pay-as-you-go estimates for H.R. 2400 and H.R. 2676. CBO previously estimated that the total 1998 obligation limitation for the federal-aid highways program was $70 million lower than the level provided by TEA 21. CBO estimates that the corrected, higher obligation limitation will result in $65 million more outlays over the 1998-2003 period.

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