



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 14, 2015

S. 1647

Developing a Reliable and Innovative Vision for the Economy Act

*As ordered reported by the Senate Committee on Environment and Public Works
on June 23, 2015*

SUMMARY

S. 1647 would extend the authority for the Department of Transportation (DOT) to operate the surface transportation programs administered by the Federal Highway Administration (FHWA) for six years and would authorize the appropriation of funds for certain other transportation programs. The legislation also would permit participants in a water infrastructure program administered by the Environmental Protection Agency (EPA) and the Army Corps of Engineers to issue tax-exempt bonds.

CBO estimates that enacting the bill would increase contract authority (the authority to incur obligations in advance of appropriation acts) relative to CBO's baseline by \$64 billion over the 2016-2025 period. Contract authority is a form of budget authority. S. 1647 would provide \$292 billion in contract authority over the 2015-2021 period. (About \$14 billion of that amount would be for the remainder of 2015, and is consistent with the rate contained in CBO's baseline.) Those amounts have traditionally been controlled by provisions in appropriation acts that limit the amount of contract authority that may be obligated. (Those provisions are known as obligation limitations.)

Enacting S. 1647 also would increase direct spending because it would authorize states to spend about \$1.9 billion on highways that would otherwise not be spent. In addition, the staff of the Joint Committee on Taxation (JCT) estimate that enacting provisions of the bill that would affect tax-exempt bond issuances also would reduce revenues by \$59 million over the 2016-2025 period. As a result, pay-as-you-go procedures apply.

For this estimate, CBO assumes that most spending for highway programs funded from the Highway Trust Fund will continue to be controlled by obligation limitations set in appropriation acts. The bill would authorize obligation limitations totaling \$274 billion over the 2016-2021 period. The bill also would authorize the appropriation of about \$2 billion for other programs administered by FHWA. Assuming appropriation of the estimated obligation limitations for 2016-2021 and the other amounts specified in the legislation, CBO estimates that implementing the bill would cost \$157 billion over the

2016-2020 period, and \$256 billion over the 2016-2025 period. Relative to the outlays for highway programs funded by the Highway Trust Fund currently projected in CBO's baseline, spending for those programs would be about \$15 billion higher over the 2016-2025 period under S. 1647.

CBO estimates that enacting the legislation would not increase on-budget deficits or net direct spending by at least \$5 billion in at least one of the four consecutive 10 year periods beginning in 2026.

S. 1647 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 1647 are shown in the following table. The costs of this legislation fall within budget functions 400 (transportation) and 300 (natural resources and the environment).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1647 will be enacted before the current authorization for surface transportation programs expires on July 31, 2015, that the authorized and necessary amounts will be provided each year in appropriation acts, and that outlays will follow the historical rate of spending for transportation programs.

Changes In Direct Spending

Federal Aid Highways Contract Authority. S. 1647 would provide an increase in the amount of budget authority (in the form of contract authority) that is projected in CBO's baseline to be available for FHWA's programs over the 2016-2025 period. Only the cost of this incremental increase above the baseline is attributed to S. 1647. Because spending of the contract authority for FHWA programs is expected to be controlled by provisions in future appropriation acts, there would be no impact on direct spending expenditures from this provision.

	By Fiscal Year, in Millions of Dollars										2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025
CHANGES IN DIRECT SPENDING												
Federal Aid Highways Contract Authority ^a												
Budget Authority	2,820	3,741	4,726	5,778	6,902	8,052	8,052	8,052	8,052	8,052	23,967	64,227
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Designated Projects												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	500	820	300	100	80	40	20	20	0	0	1,800	1,880
Total Changes												
Estimated Budget Authority	2,820	3,741	4,726	5,778	6,902	8,052	8,052	8,052	8,052	8,052	23,967	64,227
Estimated Outlays	500	820	300	100	80	40	20	20	0	0	1,800	1,880
CHANGES IN REVENUES												
Estimated Revenues	*	*	-1	-2	-4	-6	-9	-11	-13	-15	-5	-59
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Impact on Deficit	500	820	301	102	84	46	29	31	13	15	1,805	1,939
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Spending from the Highway Trust Fund												
Obligation Limitation	43,077	43,997	44,982	46,034	47,157	48,308	0	0	0	0	225,247	273,555
Estimated Outlays	10,769	28,661	35,746	38,705	41,333	43,187	32,292	13,216	6,112	3,786	155,214	253,806
Water Infrastructure Finance and Innovation												
Authorization Level	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	7	19	29	37	30	12	5	4	2	1	122	146
Other Authorized Programs												
Authorization Level	422	410	410	410	410	410	0	0	0	0	2,062	2,472
Estimated Outlays	69	192	281	323	355	374	321	206	116	73	1,220	2,311
Total Changes												
Estimated Budgetary Resources	43,499	44,407	45,392	46,444	47,568	48,718	0	0	0	0	227,310	276,028
Estimated Outlays	10,845	28,872	36,056	39,065	41,718	43,573	32,617	13,426	6,230	3,860	156,556	256,263

Note: * = Less than \$500,000.

a. S. 1647 also would provide about \$14 billion in contract authority for highway programs for the remainder of fiscal year 2015. The Highway and Transportation Funding Act of 2015 (Public Law 114-21) provided about \$27 billion in contract authority for programs funded by S. 1647 through July 31, 2015. Thus, under S. 1647 total contract authority for 2015 would be about \$41 billion. That amount is equal to the level of contract authority in CBO's baseline for 2015.

Over the 2016-2021 period, S. 1647 would provide \$278 billion in contract authority for programs administered by FHWA. S. 1647 also would provide about \$14 billion in contract authority for highway programs for the remainder of fiscal year 2015. The Highway and Transportation Funding Act of 2015 (Public Law 114-21) provided about \$27 billion in contract authority for programs funded by S. 1647 through July 31, 2015. Together, total contract authority for the year would be about \$41 billion. That amount is equal to the level in CBO's baseline for 2015.

Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act for constructing the baseline, CBO extends that contract authority provided by the bill for 2021 (\$49 billion), the last year of the authorization, at the same level in each of the following years. Using that assumption, CBO estimates that enacting the bill would result in baseline contract authority totaling about \$474 billion over the 2016-2025 period. That funding level represents an increase in budget authority of \$24 billion over the 2016-2020 period and \$64 billion over the 2016-2025 period above the amounts of contract authority for highway programs currently projected in CBO's baseline.

Designated Projects. Section 1207 would permit states with Congressionally designated projects that are more than ten years old and that have had less than 10 percent of their funds obligated to use remaining amounts for certain other highway projects within the state. Under current law, states not spending those funds on such designated projects are prohibited from spending those amounts on any other project. S. 1647 would give states the authority to use those funds on projects other than the designated project. Based on information from DOT, CBO estimates that about \$2 billion of old contract authority would be used by states for other projects. CBO estimates that enacting the provision would cost \$1.9 billion over the 2016-2025 period.

Changes In Revenues

Two provisions in S. 1647 would affect tax-exempt financing. JCT estimates that, in total, those provisions would reduce federal revenues by \$59 million over the 2016-2025 period.

JCT estimates that under section 5003, states would issue additional tax-exempt bonds for certain water projects. JCT estimates that the value of the additional tax-exempt bonds issued under S. 1647 would reduce federal revenues by \$17 million over the next 10 years.

The Transportation Infrastructure Finance and Innovation Program (TIFIA) within DOT makes loans and loan guarantees. The Moving Ahead for Progress in the 21st Century (MAP-21) the most recent authorization for highway programs and the Surface Transportation Funding Act of 2015 provided \$1 billion, annually, in budget authority for the program. However, MAP-21 provided for a redistribution of those funds to other programs if certain obligation levels were not met. Based on the FHWA's notice of April 24, 2015, which redistributed \$640 million from the TIFIA program to states for

other projects, the CBO baseline for the TIFIA program in 2015, on an annualized basis, is now \$360 million (\$1 billion minus \$640 million). Consistent with the rules in the Budget Control Act, CBO extends that program at the same level at which it is when the authorization expires. As a result, enacting S. 1647 would increase the authorization for TIFIA above CBO's baseline projections by \$315 million, annually. Because TIFIA is designed to leverage new investments financed (at least in part) by additional tax-exempt debt, JCT estimates that increasing the funds authorized for TIFIA would increase the issuance of tax-exempt bonds and would decrease federal revenues by \$42 million over the next 10 years.

Changes in Spending Subject to Appropriation

Assuming appropriation of the authorized and estimated amounts, CBO estimates that implementing S. 1647 would cost \$157 billion over the 2016-2020 period. That amount includes spending from the Highway Trust Fund, as well as spending on other transportation projects and on certain water infrastructure projects.

Highway Trust Fund Spending. For many years, the contract authority provided in transportation legislation has been controlled by limitations on obligations contained in annual appropriation acts. CBO expects that practice would continue over the 2016-2021 period under the provisions of S. 1647. The bill would authorize \$274 billion for the obligation limitations for highway programs over the 2016-2021 period.

CBO estimates that implementing the obligation limitations contained in S. 1647 would cost \$155 billion over the 2016-2020 period and \$254 billion over the 2016-2025 period. In CBO's March 2015 Status of the Highway Trust Fund report, CBO projects cumulative shortfalls in the highway account of \$52 billion at the end of 2020 and \$125 billion at the end of 2025.¹ Enacting the obligation limitations contained in S. 1647 would increase by about \$9 billion and \$15 billion, respectively, those cumulative shortfalls, based on the assumption that obligation limitations for other programs funded from the highway account remain consistent with the levels contained in CBO's baseline. Combined with the roughly \$2 billion in additional spending from the designated projects noted above, implementing S. 1647 would result in a cumulative shortfall in the Highway Trust Fund of about \$142 billion in 2025, about \$17 billion more than what CBO estimates in the March 2015 baseline. The bill would not affect revenues credited to the fund. However, under CBO's baseline scenario and consistent with the scoring conventions for all appropriated programs, CBO expects that the pace of spending under S. 1647 would not be affected because of the shortfall in the Highway Trust Fund.

1. See Congressional Budget Office, *Highway Trust Fund Accounts-Baseline Projections, March 2015 Baseline*. <https://www.cbo.gov/publication/43884>

Water Infrastructure Finance and Innovation. Under Title V of the Water Resources Reform and Development Act of 2014 (WRRDA), \$155 million is authorized to be appropriated over the 2016-2019 period for the EPA and the Army Corps of Engineers to provide federal credit assistance in the form of direct loans or loan guarantees for eligible water infrastructure projects. Enacting section 5003 of S. 1647 would eliminate a provision in WRRDA that precludes states and other entities from obtaining any additional project financing to complete such water infrastructure projects by issuing tax-exempt bonds. That change would increase the demand for federal credit under this program, resulting in additional spending stemming from the appropriation levels authorized under WRRDA. CBO expects that this credit program would operate much like TIFIA and that the Corps and EPA would mostly offer direct federal loans. Based on historical spending rates and the anticipated demand for infrastructure loans under the terms of this bill, CBO estimates that implementing the program would cost \$122 million over the 2016-2020 period.

Other Authorized Programs. S. 1647 would authorize appropriations for several grant programs for highways. Those programs include:

- \$150 million, annually, for grants to nationally significant projects on federal or tribal lands;
- \$150 million, annually, for grants to state and local governments to implement programs that improve the performance and efficiency of surface transportation networks;
- \$110 million, annually, for projects in Appalachia; and
- \$12 million for a program to assist entities in accelerating projects that are eligible for the TIFIA loan program within DOT.

In total, CBO estimates that implementing those provisions would cost \$1.2 billion over the 2016-2020 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1647, as ordered reported by the Senate Committee on Environment and Public Works on June 23, 2015

	By Fiscal Year, in Millions of Dollars											2015-2020	2015-2025
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	500	820	301	102	84	46	29	31	13	15	1,805	1,939
Memorandum:													
Changes in Outlays	0	500	820	300	100	80	40	20	20	0	0	1,800	1,880
Changes in Revenues	0	0	0	-1	-2	-4	-6	-9	-11	-13	-15	-5	-59

INCREASE IN LONG TERM DEFICIT AND NET DIRECT SPENDING

CBO estimates that enacting the legislation would not increase on-budget deficits or net direct spending by at least \$5 billion in any of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1647 contains no intergovernmental or private-sector mandates as defined in UMRA. Provisions in the bill that authorize assistance for transportation projects would benefit state, local, and tribal governments. Any costs to those entities would be incurred voluntarily as conditions of participating in voluntary federal programs.

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