



January 14, 2020

Federal Highway Spending and Revenues

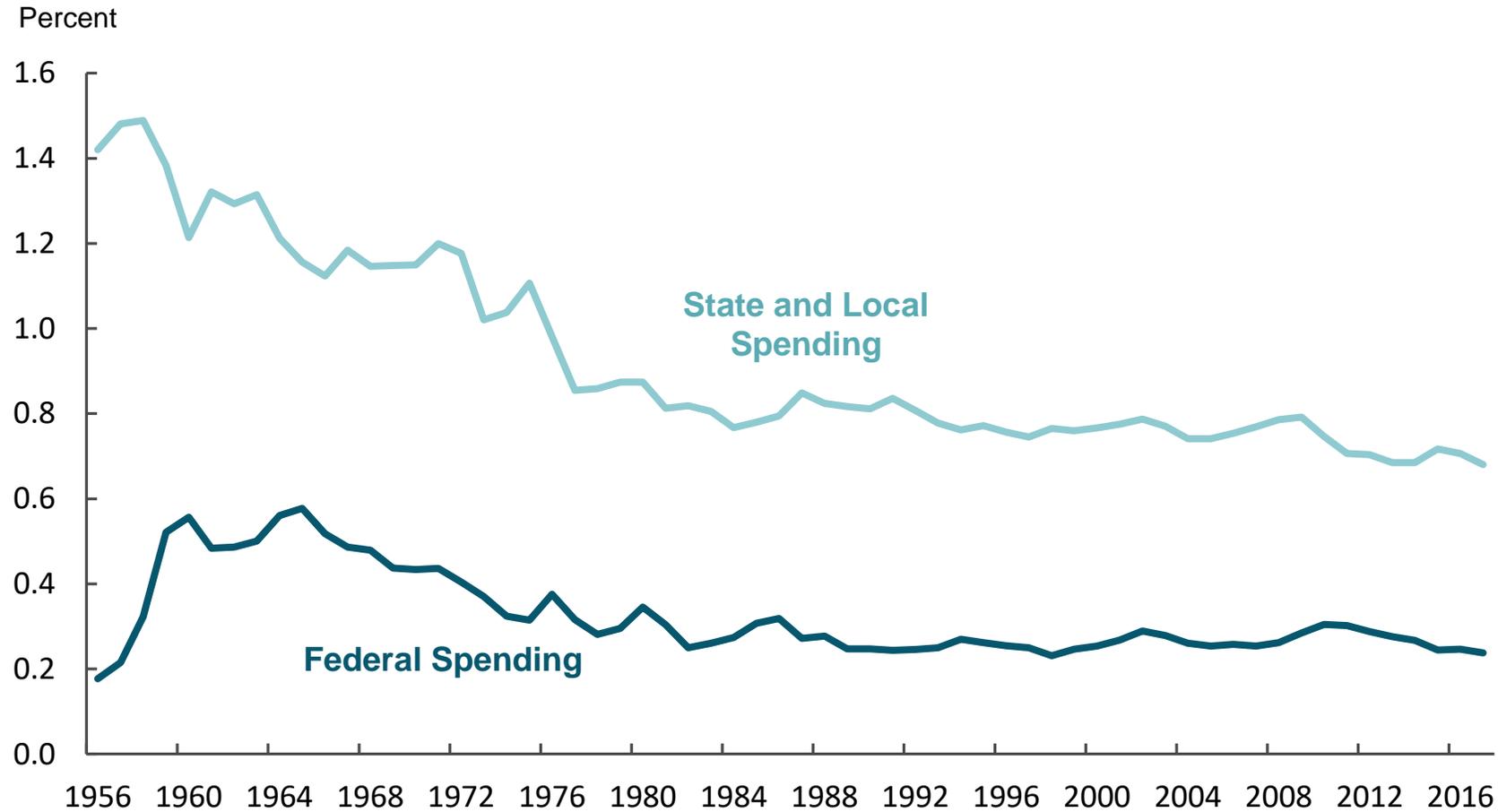
Transportation Research Board, 99th Annual Meeting
Standing Committee on Revenue and Finance

Sheila Campbell

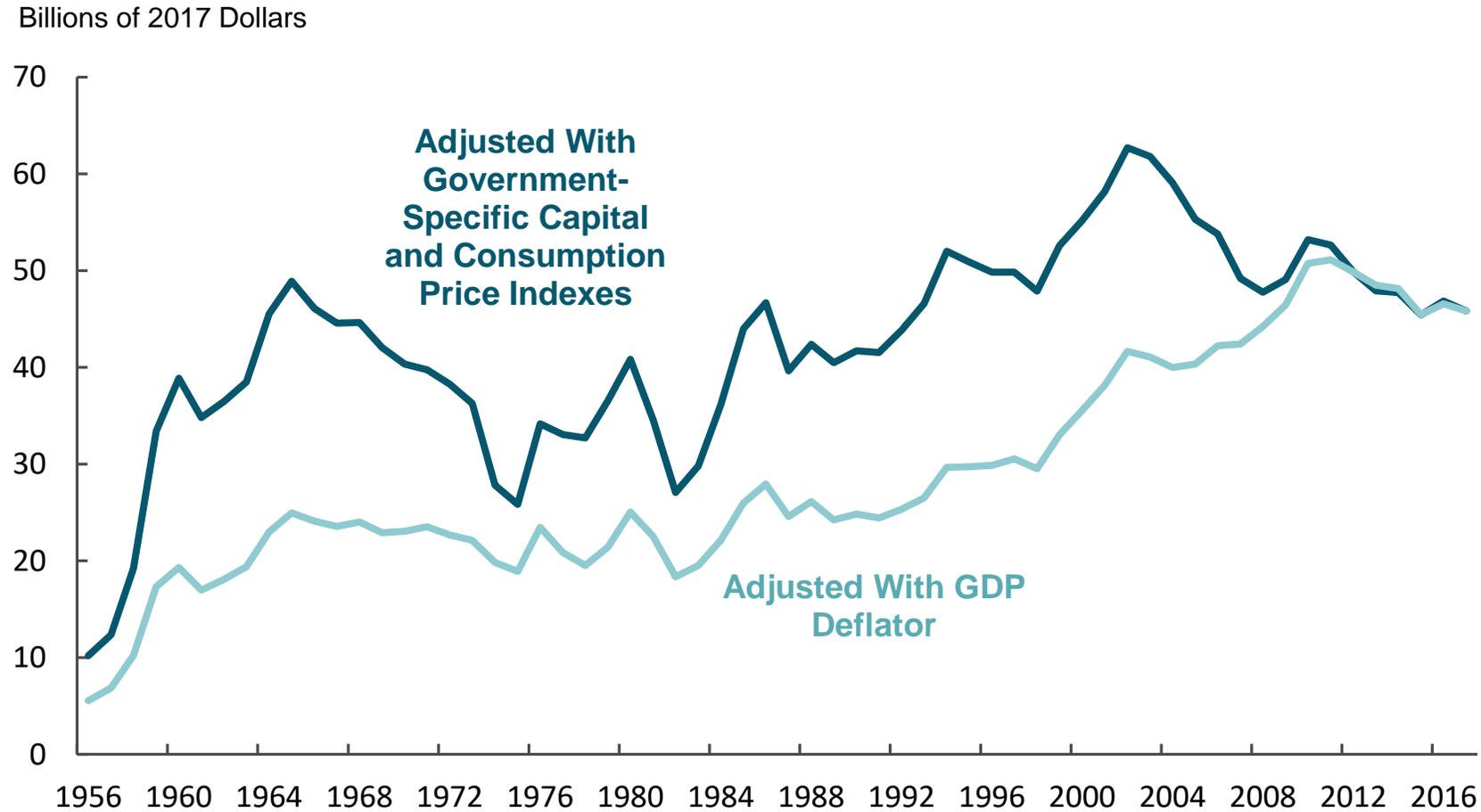
Microeconomic Studies Division

Federal Spending for Highways

Public Spending for Highways as a Share of GDP



Federal Spending for Highways, Adjusted for Inflation



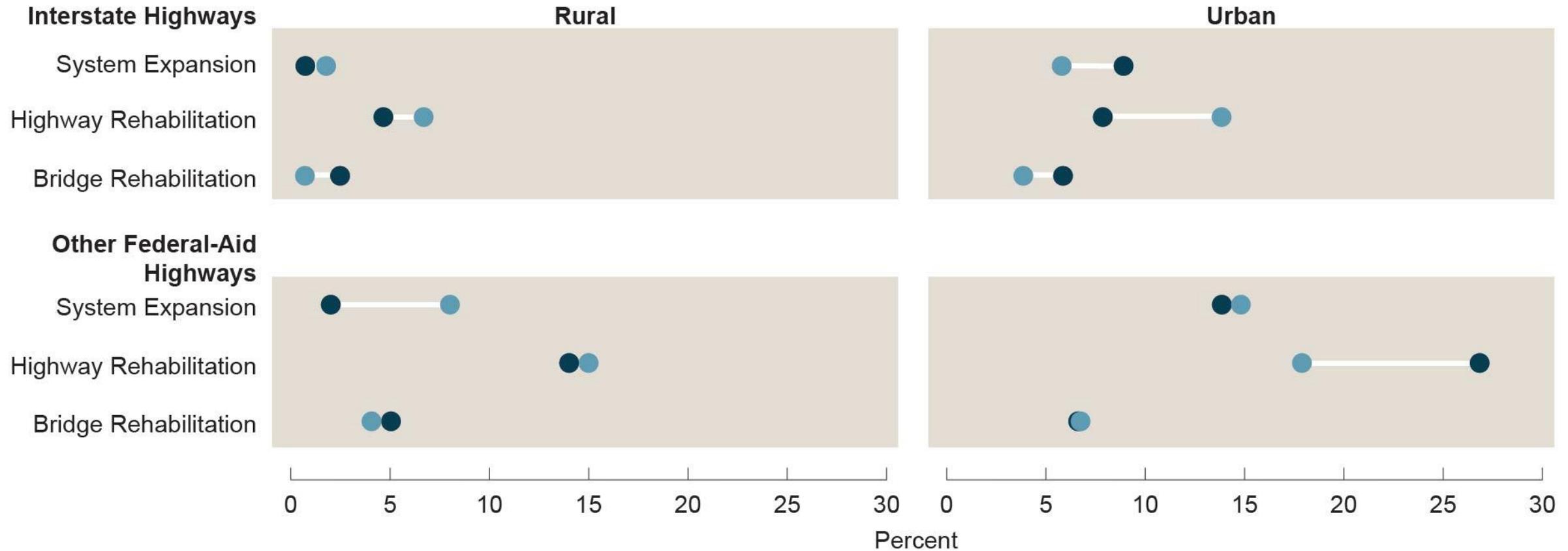
Federal Spending for Highways in the Future

Policymakers could use a number of different criteria to guide decisions about how much the federal government should spend for highways.

- In the Federal Highway Administration's (FHWA's) Improve Conditions and Performance Scenario, projects would be funded if their benefits met or exceeded their costs.
- In the FHWA's Maintain Conditions and Performance Scenario, projects would be funded to keep overall conditions and performance unchanged by the end of 20 years.
- Alternatively, policymakers could set spending equal to expected revenues in the Highway Trust Fund.

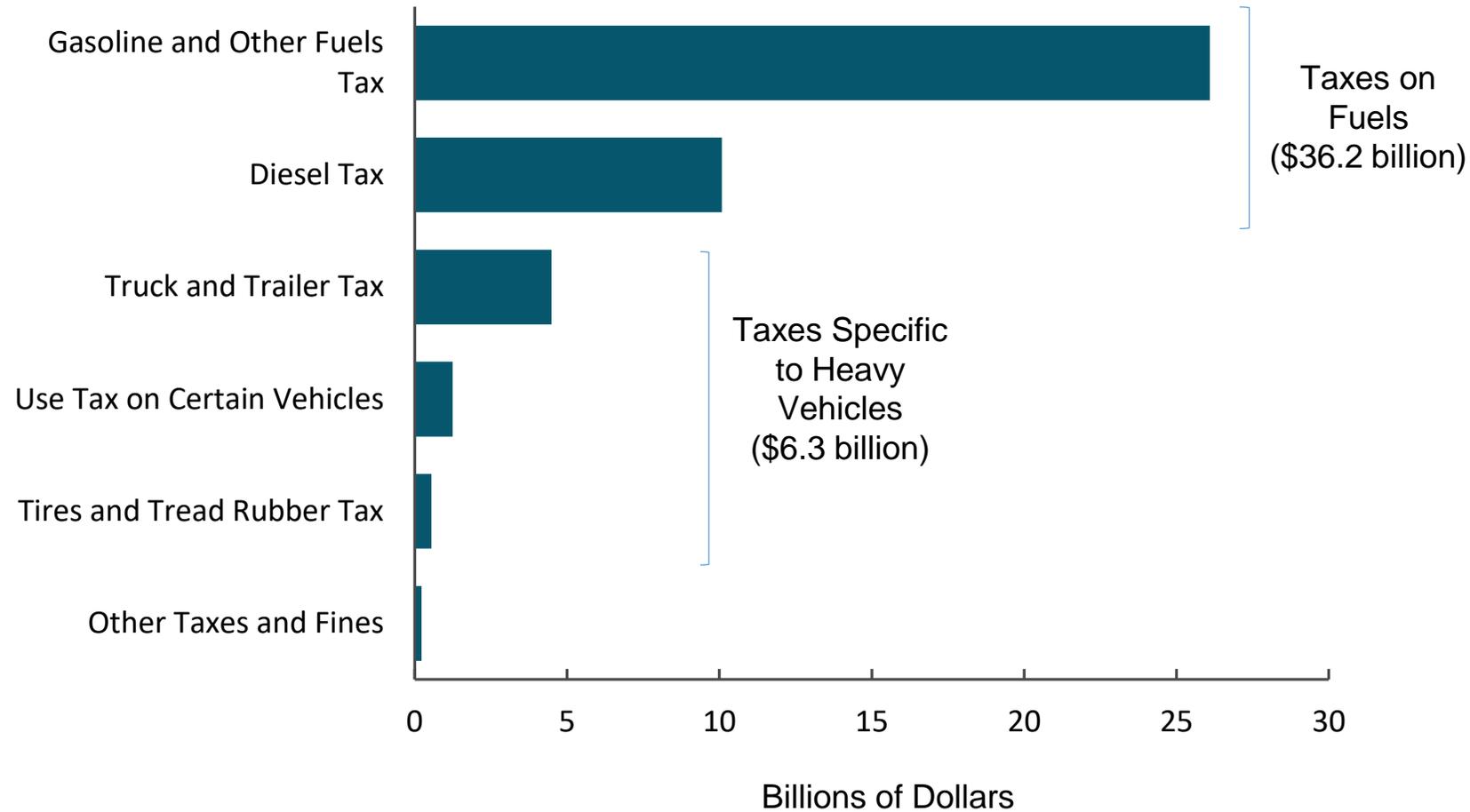
Shares of Total Federal-Aid Highway Spending Devoted to Various Purposes

● Share Suggested by FHWA's Improve Conditions and Performance Scenario ● Actual Share, 2014



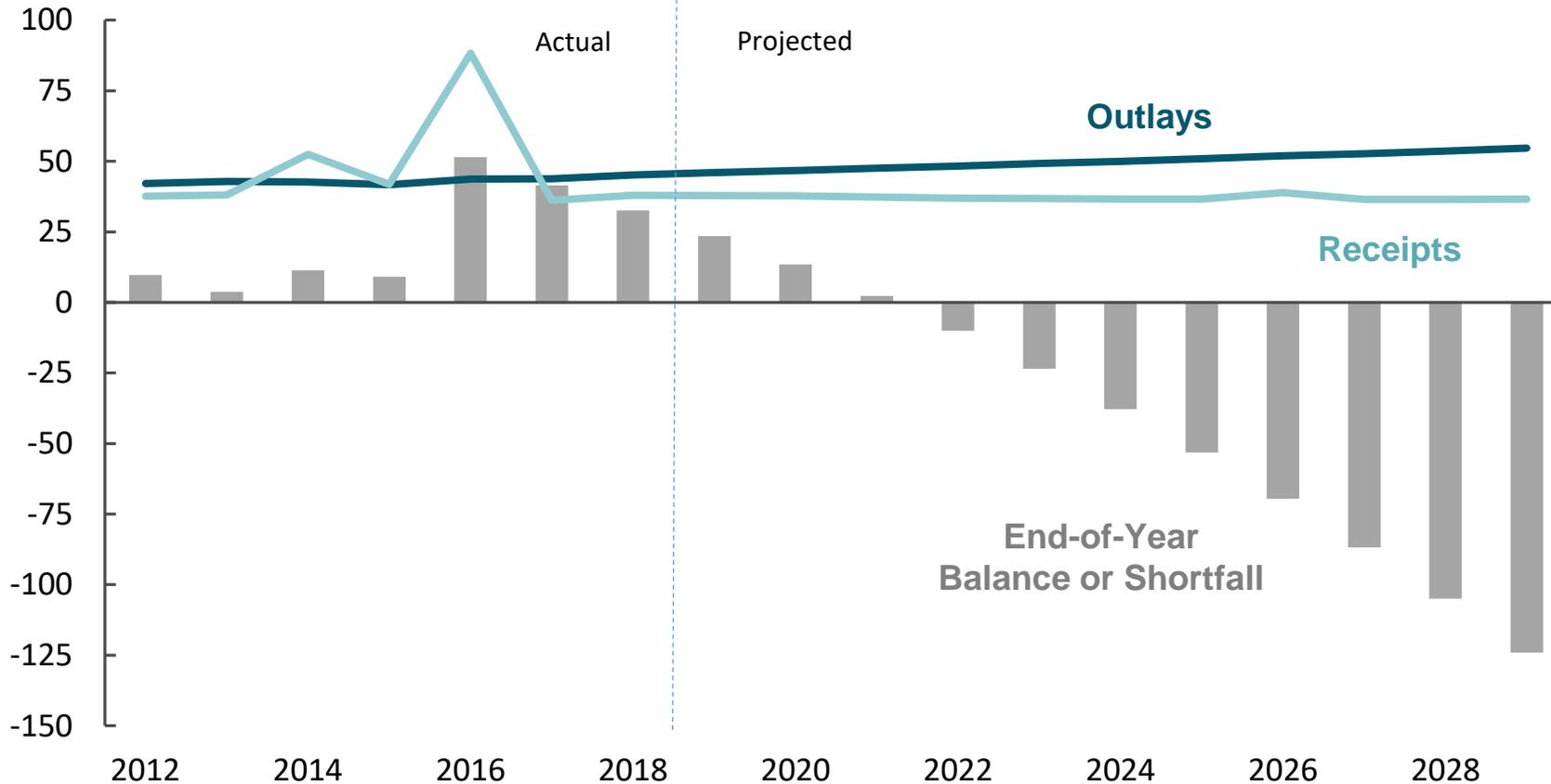
Highway Trust Fund Revenues

Sources of Revenues Credited to the Highway Trust Fund, 2018



Receipts, Outlays, and End-of-Year Balance or Shortfall in the Highway Account of the Highway Trust Fund

Billions of Dollars



These are the values in CBO's May 2019 baseline budget projections. For surface transportation programs funded from the Highway Trust Fund, CBO's baseline projections of outlays do not consider whether projected balances in the trust fund are sufficient to support any particular amount of spending. Rather, CBO's projections of the balances or shortfalls in the trust fund reflect the cash flows that would stem from the spending and revenues as projected separately in CBO's baseline. For more information, see Congressional Budget Office, *The Highway Trust Fund and the Treatment of Surface Transportation Programs in the Federal Budget* (June 2014), www.cbo.gov/publication/45416.

Estimated Spending From the Highway Account of the Highway Trust Fund Under S. 2302

Millions of Dollars

	2020	2021	2022	2023	2024	2025	2020–2025
Start-of-Year Balance	23,542	13,518	303	(a)	(a)	(a)	(a)
Revenues and Interest ^b	37,739	37,282	36,955	36,762	36,650	36,560	221,949
Outlays	46,763	49,498	53,357	55,391	56,560	57,941	319,510
End-of-Year Balance ^c	13,518	303	(a)	(a)	(a)	(a)	n.a.
Memorandum: Shortfall	n.a.	n.a.	-17,099	-19,629	-20,910	-22,381	-80,019

All years shown are federal fiscal years. Components may not add up to totals because of rounding. Outlays, revenues, and interest projections are relative to CBO's May 2019 baseline.

n.a. = not applicable.

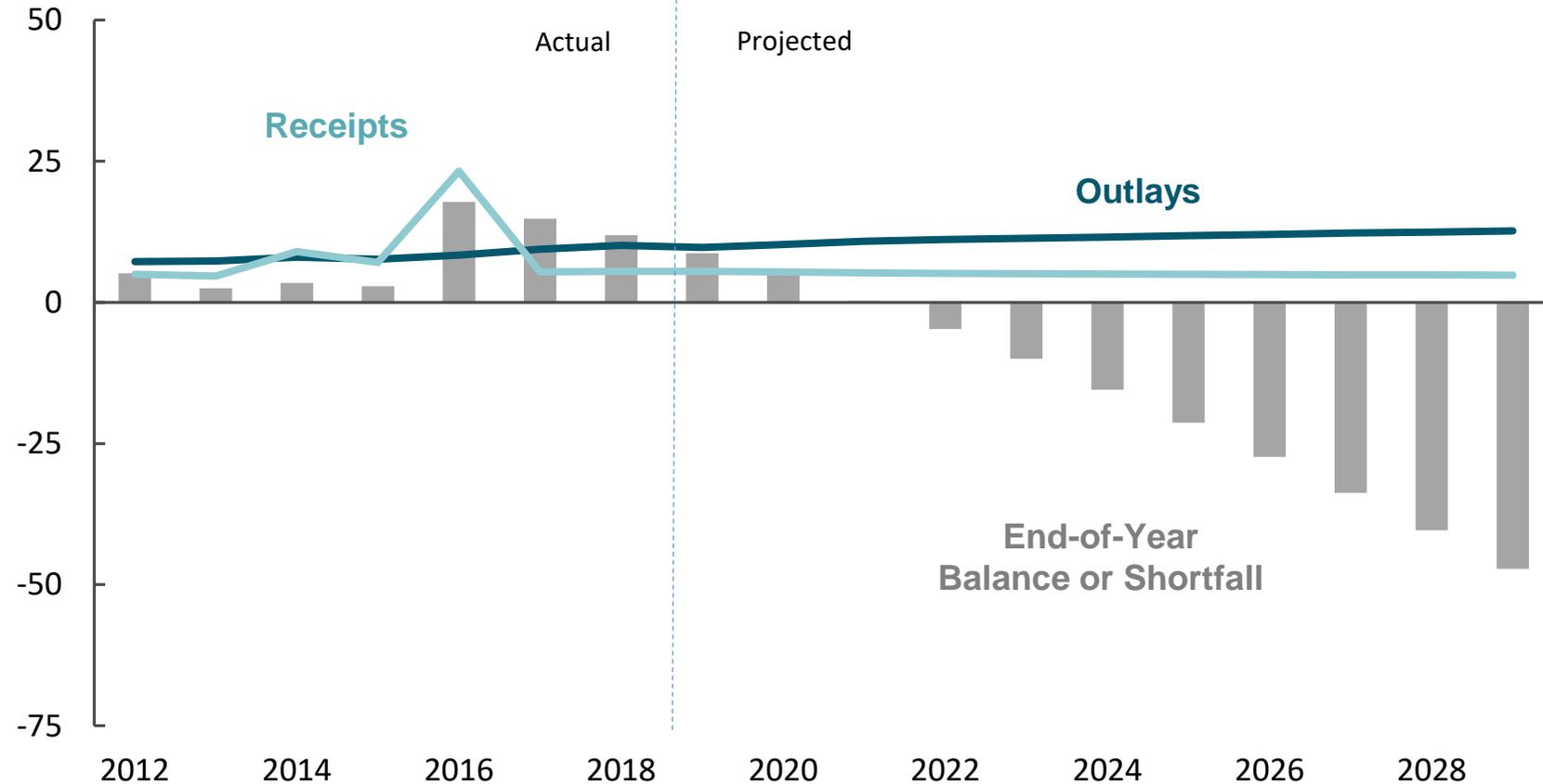
a. Under current law, the Highway Trust Fund cannot incur negative balances. However, following the rules in the Balanced Budget and Emergency Deficit Control Act of 1985 for constructing the baseline, this estimate for surface transportation spending incorporates the assumption that obligations presented to the Highway Trust Fund will be paid in full. The memorandum to this table shows the shortfall of fund balances, assuming spending amounts consistent with CBO's estimate for S. 2302 for the Federal-Aid Highway Program and CBO's May 2019 baseline for the National Highway Traffic Safety Administration and Federal Motor Carrier Safety Administration programs, which are part of the Highway Account of the Highway Trust Fund.

b. Some of the taxes that are credited to the Highway Trust Fund are scheduled to expire on September 30, 2022, including the taxes on tires and all but 4.3 cents of the federal tax on motor fuels. However, under the rules in the Deficit Control Act for constructing the baseline, this estimate incorporates the assumption that all of the expiring taxes credited to the fund will continue to be collected after fiscal year 2022.

c. End-of-year balances reflect amounts transferred from the trust fund's highway account to its transit account—in 2018, \$1.6 billion. CBO estimates that those transfers will equal \$1 billion annually over the 2020–2025 period.

Receipts, Outlays, and End-of-Year Balance or Shortfall in the Transit Account of the Highway Trust Fund

Billions of Dollars



These are the values in CBO's May 2019 baseline budget projections. For surface transportation programs funded from the Highway Trust Fund, CBO's baseline projections of outlays do not consider whether projected balances in the trust fund are sufficient to support any particular amount of spending. Rather, CBO's projections of the balances or shortfalls in the trust fund reflect the cash flows that would stem from the spending and revenues as projected separately in CBO's baseline. For more information, see Congressional Budget Office, *The Highway Trust Fund and the Treatment of Surface Transportation Programs in the Federal Budget* (June 2014), www.cbo.gov/publication/45416.

Option to Increase Taxes on Motor Fuels and Index for Inflation

In 2018, CBO published an estimate prepared by the staff of the Joint Committee on Taxation of the effects on revenues of increasing excise taxes on motor fuels, beginning in January 2019.

Changes in Revenues

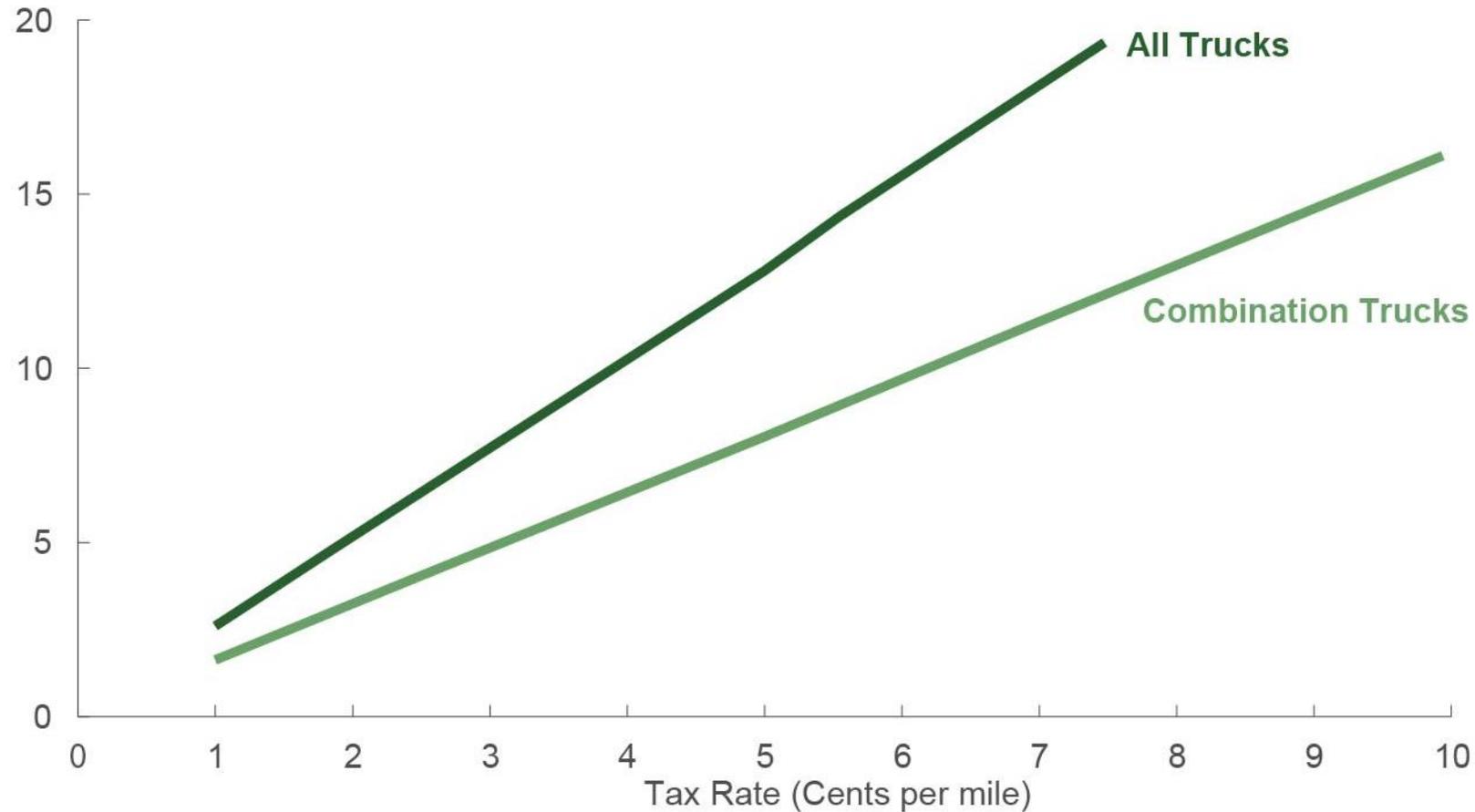
Billions of Dollars

	2019	2020	2021	2022	2023	2019–2023	2019–2028
Increase the Tax Rates by 15 Cents	15.2	21.9	22.7	23.5	24.2	107.5	237.1
Increase the Tax Rates by 35 Cents	35.1	50.2	51.3	52.2	53.1	241.9	514.9

CBO's Analysis of Revenues From a Tax on Vehicle Miles Traveled (VMT) by Commercial Trucks

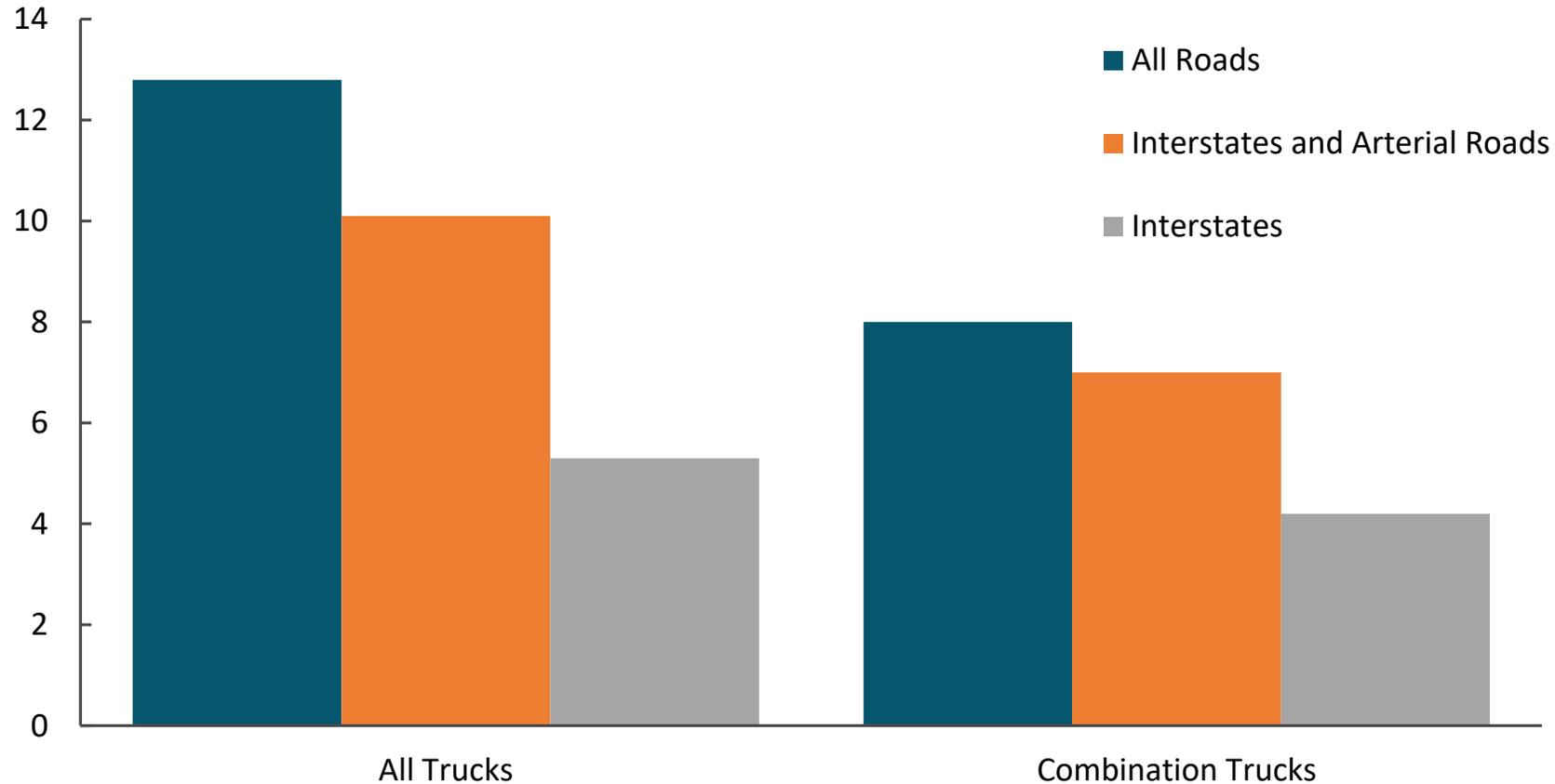
Estimated Annual Gross Revenues From Uniform VMT Taxes on All Roads

Billions of 2017 Dollars



Estimated Annual Revenues From a VMT Tax of 5 Cents per Mile, by the Road Network Included in the Tax Base

Billions of 2017 Dollars



Limiting the roads covered by a VMT tax would have less effect on revenues if the tax applied only to combination trucks.

Recent Publications From CBO About Federal Highway Spending

Cost estimate for S. 2302, America's Transportation Infrastructure Act of 2019 (November 12, 2019), www.cbo.gov/publication/55845.

Issues and Options for a Tax on Vehicle Miles Traveled by Commercial Trucks (October 2019), www.cbo.gov/publication/55688.

Federal Investment, 1962 to 2018 (June 2019), www.cbo.gov/publication/55375.

Federal Support for Financing State and Local Transportation and Water Infrastructure (October 2018), www.cbo.gov/publication/54549.

Public Spending on Transportation and Water Infrastructure, 1956 to 2017 (October 2018), www.cbo.gov/publication/54539.