



April 27, 2015

## **The Status of the Highway Trust Fund and the Budgetary Treatment of Federal Financing Instruments**

The International Bridge, Tunnel and Turnpike Association's  
Transportation Finance and Road Usage Charging Conference

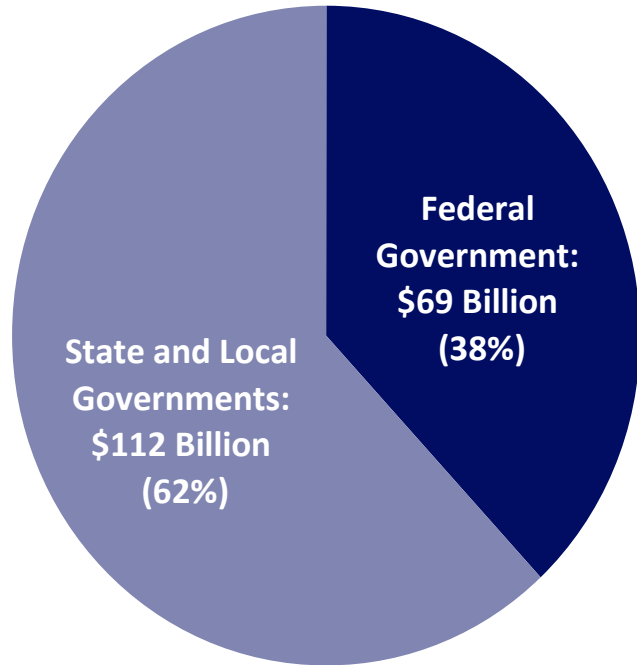
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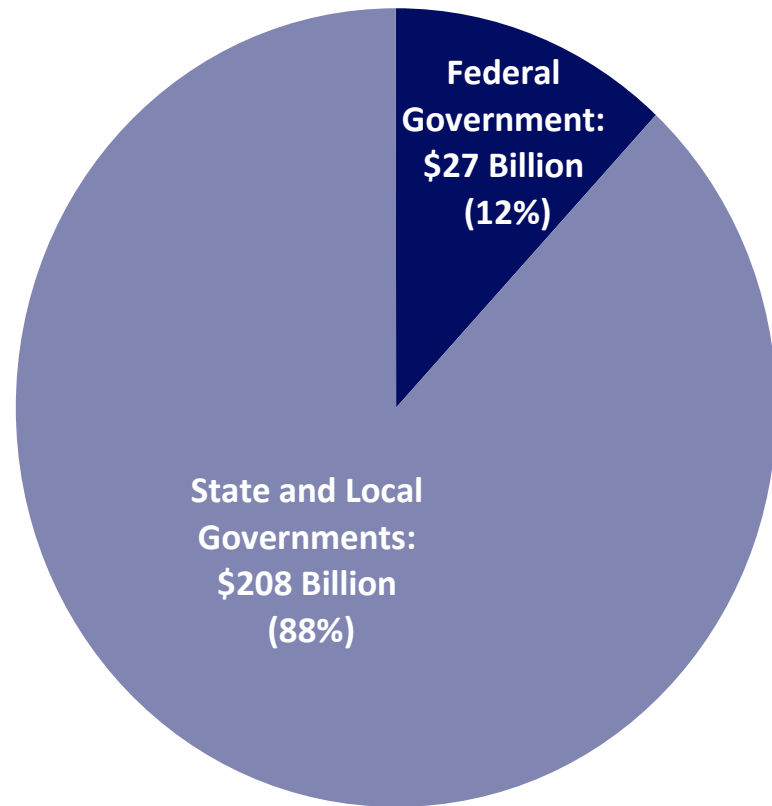
# The Status of the Highway Trust Fund

# Federal, State, and Local Governments' Shares of Spending on Transportation and Water Infrastructure, by Category of Spending, 2014

**Capital  
(\$181 Billion)**



**Operation and Maintenance  
(\$235 Billion)**



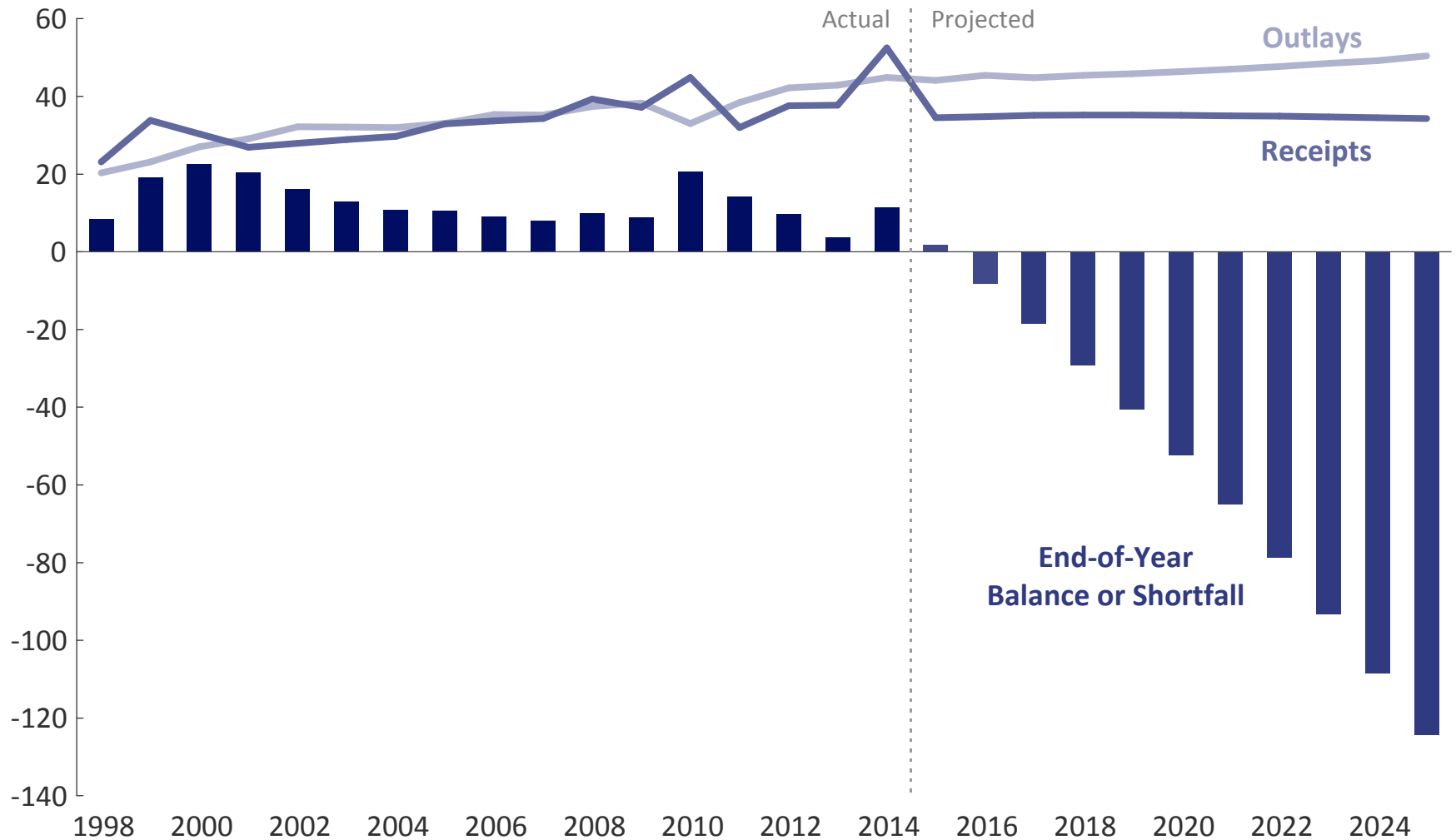
Estimated spending from the Highway Trust Fund exceeds its revenues.

Both the **highway account** and the **transit account** may have difficulty meeting all **obligations** during the summer of 2015.

With no change in estimated receipts,  
**in 2016, all of the receipts credited to the  
fund will be needed** to meet obligations  
made before that year.

# Receipts, Outlays, and Balance or Shortfall for the Highway Account Under CBO's March 2015 Baseline, 1998 to 2025

Billions of Dollars, by Fiscal Year



Notes for this slide can be found at the end of the presentation on slide 16.

# Options for the Congress

Reduce spending



**No new spending for 2016**

Reduce budgetary resources in 2017 and beyond

Increase receipts



**10 to 15 cent gas tax increase** to fund current spending, adjusted for inflation through 2025

Fund the program from general revenues or transfers from other funds



**\$16 billion transfer** from the general fund for fiscal year 2016; \$11 to \$18 billion per year in future years

Or a combination of approaches

# Budgetary Treatment of Federal Financing Instruments



What activities are recorded as part of the federal budget?

**“Borderline agencies and transactions should be included in the budget unless there are exceptionally persuasive reasons for exclusion.”**

—President’s Commission on Budget Concepts (1967)

Any entity that is financed by federal funds and subject to federal control is included in the federal budget.

**Activities do not have to be conducted by a federal agency to be classified as governmental and included in the budget.**

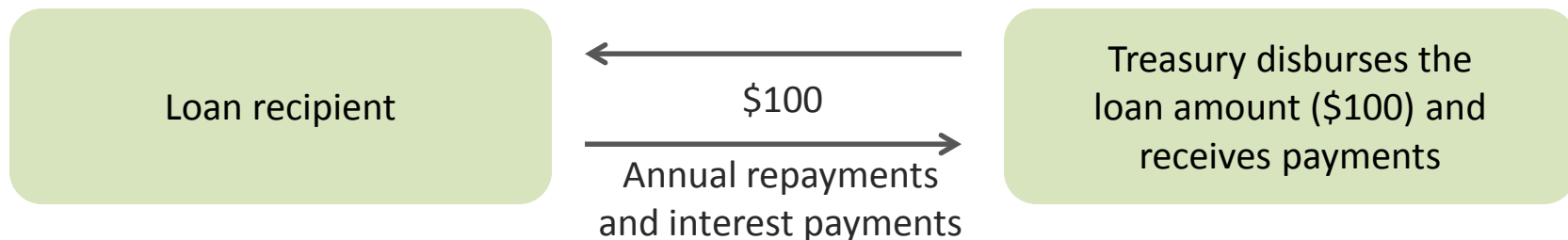
How does the federal budget treat loan and loan guarantee programs?

Under the Federal Credit Reform Act of 1990 (FCRA), the cost of loans and loan guarantees is recorded as the net present value of the cash flows to and from the government when the loan is disbursed (accrual accounting).

That **net present value is the subsidy cost.**

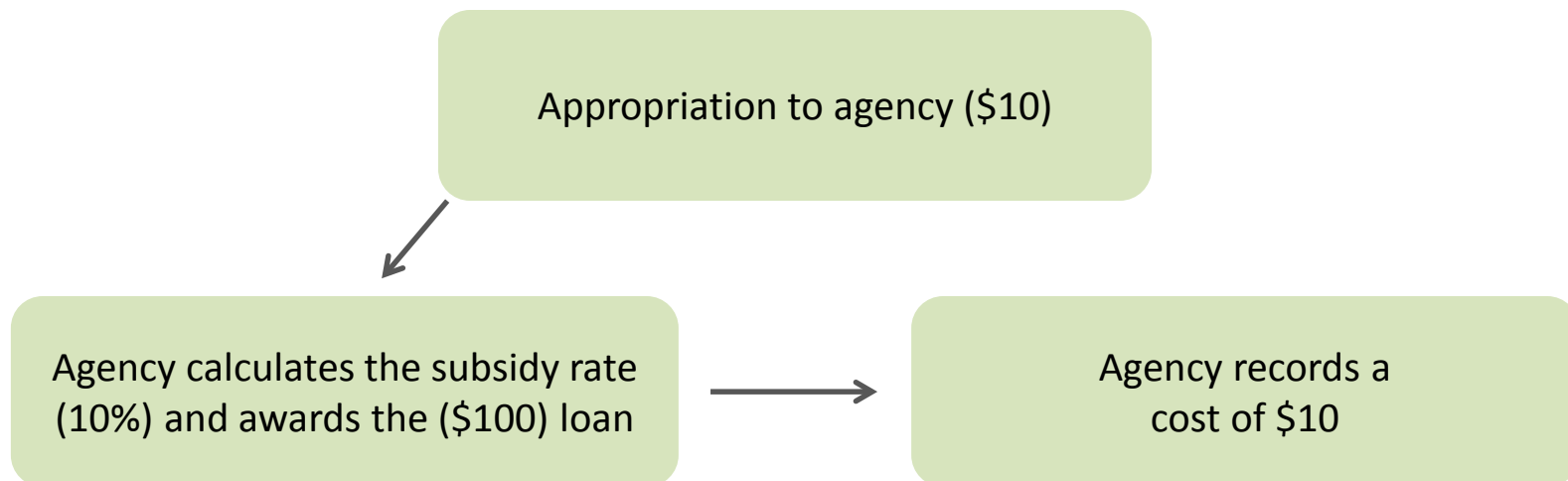
# A Simplified Credit Reform Model

The loan is \$100.



Disbursement and repayment of the loan (and interest payments) are not recorded in the federal budget because those transactions are only “financing” cash flows.

The federal budget shows:



Under FCRA, for direct loans, principal and interest **repayments are not available to revolve into new loans.**

Loan repayments are unavailable for future spending; those repayments are already accounted for in the estimated net present value of the loan.

**Borrowing is not a receipt.** Bond proceeds or repayable equity investments are a means of financing a project—not the ultimate source of capital—and are not treated as federal receipts.



Notes about slide 5:

CBO's baseline projection for outlays is calculated by increasing the obligation limits set for the current year by a measure of projected inflation. CBO's baseline projection for receipts is based on market conditions, and incorporates the assumption that the current tax on fuels and on heavy vehicles will be extended.

The receipts line includes revenues credited to the highway account of the Highway Trust Fund and intragovernmental transfers to the account. Those transfers have totaled about \$56 billion since 2008.

The Highway Trust Fund cannot incur negative balances. Once account balances are exhausted, the chart illustrates the cumulative annual shortfalls for the highway account under CBO's baseline.

Cost estimates for legislation:

[www.cbo.gov/search/ce\\_sitesearch.cfm](http://www.cbo.gov/search/ce_sitesearch.cfm)

Other CBO publications on transportation and infrastructure:

[www.cbo.gov/topics/infrastructure-and-transportation](http://www.cbo.gov/topics/infrastructure-and-transportation)

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