CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 9, 1998

S. 1173
Intermodal Surface Transportation Efficiency Act of 1998

As agreed to by the Senate on March 12, 1998

SUMMARY

S. 1173 would reauthorize the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) for the years 1998 through 2003. For that six-year period, the bill would provide contract authority totaling $171.3 billion for the Federal Highway Administration (FHWA), $1.1 billion for the National Highway Traffic Safety Administration (NHTSA), and $31.5 billion for the Federal Transit Administration (FTA). S. 1173 also would authorize the appropriation of $12.5 billion—in addition to amounts already appropriated for 1998—for the 1998-2003 period for programs managed by the Department of Transportation (DOT).

Of the $204 billion in contract authority that would be provided by this bill, $4.1 billion would be for spending that is exempt from annual obligation limitations. The exempt spending would be for the proposed minimum guarantee program, which would replace an existing program called minimum allocation. (Another exempt program, emergency relief, is permanently authorized at $100 million a year; S. 1173 would not change that authorization.)

CBO estimates that outlays for programs covered by this legislation would grow from an estimated $27 billion in 1998 to close to $39 billion in 2003. Relative to CBO's current-law projections, S. 1173 would result in an additional $34 billion in outlays over the 1998-2003 period, assuming appropriations action consistent with the obligation and authorization levels specified in the bill. (Those current-law projections do not assume future appropriations for discretionary programs.)

S. 1173 would reauthorize the State Infrastructure Bank Program (SIB) and includes the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), which would establish a new transportation credit program. The Joint Committee on Taxation (JCT) expects that both of these programs would probably result in an increase in tax-exempt financing and a consequent loss of federal revenues. JCT estimates revenue losses over the

1999-2003 period of $28 million for SIB and $225 million for TIFIA. The bill would also impose fees on the recipients of credit provided under TIFIA, and would require that those fees be recorded in the budget as "miscellaneous receipts" (revenues). CBO estimates that the TIFIA fees would increase federal revenues by $225 million over the 1999-2003 period, offsetting the TIFIA-related revenue loss. Other provisions of the bill would also affect revenues. On balance, the net change in revenues through 2003 would be a loss of $16 million.

Because S. 1173 would affect direct spending and receipts, pay-as-you go procedures would apply. S. 1173 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), but they would not impose costs on state, local, or tribal governments in excess of the threshold established by that act ($50 million in 1996, indexed annually for inflation).

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

Titles I and II of S. 1173 would reauthorize FHWA's federal-aid highways program. For the components of the program that are subject to annual obligation limitations, the bill would provide contract authority of $23.8 billion in 1998, $27.7 billion in 1999, $28.1 billion in 2000, $28.6 billion in 2001, $29.0 billion in 2002, and $29.5 billion in 2003. (Those amounts include a total of $530 million over the six years for credit subsidies under TIFIA.)

Title I would establish a new funding mechanism for apportioning some of the highway funds to states. The new program would be called "minimum guarantee;" it would replace an existing apportionment process known as "minimum allocation." Some of the funds provided under the minimum guarantee program would be exempt from annual obligation limitations.

Because the emergency relief program is permanently authorized under current law, its costs of $100 million a year are not included in the above totals for contract authority that would be provided by S. 1173.

Title III would reauthorize NHTSA's highway safety programs and FHWA's motor carrier safety program. The bill would provide contract authority of $171 million in 1998, $183 million in 1999, $188 million in 2000, $185 million in 2001, $190 million in 2002, and $199 million in 2003 for the NHTSA highway safety program. The bill also would authorize appropriations of $372 million over the 1998-2003 period for operations and research at NHTSA, and $12 million over the same period for NHTSA to maintain the national driver register, which contains the driving records of individuals. In addition, S. 1173 would provide contract authority of $90 million in 1998, $110 million in 1999, $107 million in 2000, $104 million in 2001, and $100 million in 2002 and 2003 for FHWA's motor carrier safety program.

In addition to the authorizations of appropriations noted above, S. 1173 would authorize the appropriation of $2.7 billion for highway, highway safety, and rail programs, and $106 million for two existing programs conducted by the Research and Special Programs Administration (RSPA) over the 1998-2003 period.

Title V would authorize federal mass transit programs for fiscal years 1998 through 2003. Over that six-year period, S. 1173 would provide contract authority—from the Highway Trust Fund—totaling $17.3 billion for the trust fund share of expenses and $14.2 billion for the major capital investment program. In addition, the bill would authorize the appropriation—from the general fund of the Treasury—of $9.7 billion over fiscal years 1998 through 2003 for a variety of transit programs. (Of that amount, approximately $400 million has already been appropriated for 1998.) S. 1173 would retain almost all of the transit programs and formulas for distributing funds that were authorized in ISTEA. The bill also would retain all of the existing set-asides for administrative expenses, programs for the elderly and disabled, and university transportation center programs. In addition, the legislation would authorize two new transit activities: an access-to-jobs program and a clean fuels program.

Title VI would extend Highway Trust Fund excise taxes through fiscal year 2005 and make several other changes that would affect federal revenues.

S. 1173 would require the Secretary of Transportation to complete numerous studies and to submit subsequent reports. In addition, the bill would require 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

CBO estimates that outlays under S. 1173 would total about $206 billion over the 1998-2003 period. Of that amount, $197 billion would be discretionary outlays and $8.6 billion would be direct spending outlays.

The estimated budgetary impact of S. 1173 is shown in the following table. The projections of baseline spending under current law cover the highway and transit programs that were authorized in ISTEA.

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
DIRECT SPENDING						
Baseline Spending Under Current Law						
Estimated Budget Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Proposed Changes						
Estimated Budget Authority	-15	4,127	4,698	5,272	5,886	6,563
Estimated Outlays	0	-6	4	19	35	50
Total Spending Under S. 1173						
Estimated Budget Authority	29,671	33,814	34,385	34,959	35,573	36,249
Estimated Outlays	1,966	1,752	1,545	1,226	1,091	1,011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority [a]	1,046	0	0	0	0	0
Estimated Outlays	25,197	26,300	26,976	27,696	28,134	28,806
Proposed Changes						
Estimated Authorization Level	571	2,194	2,432	2,391	2,420	2,463
Estimated Outlays	56	2,361	6,046	7,796	8,570	9,062
Total Spending Under S. 1173						
Estimated Authorization Level	1,617	2,194	2,432	2,391	2,420	2,463
Estimated Outlays	25,252	28,660	33,022	35,492	36,703	37,867
CHANGES IN REVENUES						
Estimated Revenues [b]	0	-13	6	6	-12	-3

a. The 1998 level is the amount appropriated for that year.
b. Negative numbers denote an estimated loss of revenues; positive numbers denote an increase in revenues.

Of the $197 billion in total estimated outlays subject to appropriation, about $189 billion would come from contract authority, and $8 billion would come from amounts authorized to be appropriated by S. 1173 or already appropriated in prior years. The costs of this legislation fall within budget function 400 (transportation).

Enacting S. 1173 also would affect revenues. JCT estimates that the authorization of TIFIA—the new transportation credit program—and the reauthorization of the SIB program would increase levels of tax-exempt debt, resulting in a loss of revenues to the federal government totaling $253 million over the 1998-2003 period. CBO estimates that fees collected under the TIFIA provisions would increase revenues by $225 million over the same period. Provisions in Title VI would increase revenues by $12 million over the period, resulting in a net loss in revenues of $16 million from 1999 through 2003.

BASIS OF ESTIMATE

Implementing S. 1173 would affect direct spending, spending subject to appropriation, and governmental receipts (revenues). In particular, the bill would provide $204 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 all FTA programs. The figures in the above table include an additional $600 million in contract authority for the emergency relief program; that funding is provided under current law. Most of the outlays from this contract authority would be 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 shown in the table under “Spending Subject to Appropriation.” Because a portion of the new minimum guarantee program would be exempt from obligation limitations, some of the outlays for that program as well as the outlays from emergency relief are included in the table under "Direct Spending."

Direct Spending

S. 1173 would authorize funding for a new federal-aid highways activity that would be partly exempt from obligation limitations—the minimum guarantee program. Under this legislation, $4.1 billion in spending authority for the minimum guarantee would be exempt from obligation limitations over the 1998-2003 period. In addition, $600 million for the emergency relief program would continue to be exempt from obligation limitations over the same period (as is the case under current law).

Minimum Guarantee. Under procedures specified in the Balanced Budget and Emergency Deficit Control Act, the baseline projections assume continued funding for the minimum allocation program (which would be replaced by minimum guarantee funding). The amount of the minimum guarantee program that would be exempt from the obligation limitations would be equal to the amounts projected for the minimum allocation program in the March 1997 baseline: $639 million for 1998, $654 million for 1999, $670 million in 2000, $687 million in 2001, $704 million in 2002, and $721 million in 2003. CBO assumes that this new program would have the same obligation rates and outlay rates as projected for the existing minimum allocation program.

Emergency Relief. The emergency relief program, the other federal-aid activity under current law that is exempt from obligation limitations, is permanently authorized. S. 1173 would not change the emergency relief program, which receives $100 million each year.

Other. This bill 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 direct spending effects would be negligible in each year.

The bill also would reduce the contract authority for NHTSA's traffic safety program in 1998 by $24 million. This reduction in the contract authority for 1998 would 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 would reduce outlays from direct spending by $16 million over the 1998-2003 period.

Spending Subject to Appropriation

For purposes of this estimate, CBO assumes that the amounts authorized for highway programs would 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 discretionary and are included in the table as estimated outlays subject to appropriation. To estimate such outlays, CBO used the obligation limitations specified in the bill. For example, the bill's obligation limitation for federal-aid highways for 1998 is identical to the obligation limitation established in the Department of Transportation and Related Agencies Appropriation Act of 1998 (Public Law 105-66). For programs that do not have obligation limitations specified in the bill, we assume that obligations would be equal to the contract authority provided in each year, except that the 1998 obligation limitations established in Public Law 105-66 would apply.

Of the $12.5 billion in authorizations of new appropriations, the bill would allocate $2.7 billion for new highway, highway safety, and rail programs, $384 million for existing NHTSA programs, $106 million for existing RSPA programs, and $9.3 billion for transit programs.

Highways, Highway Safety, and Rail. S. 1173 would authorize several new highway activities subject to the obligation limitation for federal-aid highways. The two biggest new programs are called "minimum guarantee" and "ISTEA transition." (Part of the minimum guarantee program is direct spending and was discussed above.) The amounts of contract authority that would be provided for these programs are based on formulas specified in the bill and were calculated by FHWA. In calculating the projections used for this cost estimate, FHWA used factors from the fall of 1997.

For the minimum guarantee program, we estimate that the gross annual levels would be $1.2 billion for each of fiscal years 1998 and 1999, $1.3 billion a year for 2000, 2001, and 2002, and $1.5 billion for 2003. Of these amounts, the exempt portions identified above (equal to about half of the program's spending) would result in direct spending, while the remainder would be subject to the annual obligation limitations for federal-aid highways.

The amounts of contract authority estimated for ISTEA transition are $872 million for 1998, $880 million for 1999, $884 million for 2000, $867 million for 2001, $757 million for 2002, and $658 million for 2003.

Another new program that would be controlled by federal-aid obligation limitations is safety belt incentive grants. Over the 1998-2003 period, S. 1173 would provide $400 million in contract authority for such grants. In addition, the bill would require the Secretary of Transportation to calculate the budgetary savings relating to federal medical costs, including savings in the Medicare and Medicaid programs, attributable to increased seat belt usage, and distribute those savings to the states that had caused those budgetary savings. Any additional funds provided to states under this authority would be direct spending. But CBO expects that additional spending, if any, would be negligible because the likelihood that the provisions of the bill would significantly increase seat belt usage is small and the impact of any change in seat belt usage on Medicare and Medicaid spending would likely be negligible and difficult to identify.

S. 1173 would authorize the appropriation of $2.7 billion over the 1998-2003 period for new highway, highway safety, and rail programs. The bill would authorize appropriations totaling $750 million to states for trade corridor and border crossing grants, $300 million for the joint partnership for advanced vehicles program, $100 million for the ferry and ferry terminal program, $950 million for magnetic levitation grants, and $600 million for a variety of other programs.

In addition, the bill would authorize the appropriation of such sums as are necessary for transportation assistance for Olympic cities. Based on information from the United States Olympic Committee and Congressional sources, we estimate that costs would total $335 million over the 1999-2003 period. Funds would be used primarily for building roads, as well as for aviation and transit needs.

Transit. Over the 1998-2003 period, S. 1173 would authorize the appropriation of $9.7 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 (WMATA).

The bill would authorize the appropriation of $250 million for a new access-to-jobs program for each fiscal year from 1998 through 2003. For the other new program—the clean fuels initiative—the bill would authorize funding of $200 million each year, of which $100 million would be contract authority and $100 million would come from appropriations. Outlay estimatess are based on historical spending rates for formula programs.

Research and Special Programs Administration (RSPA). S. 1173 would reauthorize the hazardous materials program within the RSPA research and special programs account. The bill would authorize the appropriation of $100 million over the 1998-2003 period. In addition, S. 1173 would authorize the appropriation of $6 million over fiscal years 1999 and 2000 for the RSPA's one-call notification program.

Miscellaneous. S. 1173 would authorize subsidy appropriations of $530 million over the 1998-2003 period for the proposed TIFIA credit program. In addition, the bill would require DOT to conduct numerous studies and publish subsequent reports. CBO estimates that the cost of completing the studies and preparing the reports would be several million dollars each year. Finally, the bill would require GAO to complete studies and subsequently publish reports. According to GAO, the cost of completing these studies and reports would not be significant.

Revenues

Title I of S. 1173 would provide for a federal credit program for such facilities as border crossings, multistate trade corridors, intermodal facilities, toll roads, and other facilities that generate their own revenue streams through user charges. The credit program, which is intended to complement other funding and to leverage private co-investment, could include secured loans, loan guarantees, and lines of credit, up to a maximum amount of credit ranging from $1.2 billion in 1998 to $2.0 billion in 2003. That program is expected to leverage new issues of tax-exempt bonds and result in a net increase in the volume of outstanding tax-exempt debt. The Joint Committee on Taxation estimates that this program would result in revenue losses totaling $225 million over the 1999-2003 period.

The bill would also establish annual fees to be paid by the recipients of credit under the proposed TIFIA credit program. The fees would be based on a percentage of the average amount of outstanding federal credit. Under the Federal Credit Reform Act, such fees would generally be considered to be a part of the credit financing and would be incorporated in the subsidy estimates. S. 1173, however, would direct that collections of the TIFIA fees be deposited in the general fund of the Treasury as “miscellaneous receipts” (revenues). CBO estimates that the TIFIA fees would increase revenues by $225 million over the 1999-2003 period, exactly offsetting the estimated loss in revenues from additional tax-exempt financing under TIFIA.

Title I would also reauthorize the State Infrastructure Bank Program (SIB). The SIB program allows states to elect to use federal-aid highways funds, subject to the obligation limitation, to provide capitalization for SIBs. Funds in a SIB provide credit enhancements and serve as a capital reserve for bond and debt financing for infrastructure projects that are expected to generate their own source of funding during operation. This program also allows states, with the consent of the Secretary of Transportation, to enter into interstate compacts to provide for the financing of multistate projects. The reauthorization would also give states greater flexibility in determining the amount of federal funds they can use to capitalize SIBs. We anticipate that the projects financed through SIBs would be financed primarily with tax-exempt debt, thus increasing the total volume of tax-exempt debt and reducing federal revenues. The Joint Committee on Taxation estimates that this program would result in revenue losses totaling $28 million over the 1999-2003 period.

The Senate Finance Committee’s substitute amendment to S. 1173, which was adopted as Title VI by the Senate, would extend the Highway Trust Fund excise taxes through 2005, and both the income tax credit for ethanol and the ethanol excise tax exemptions through 2007. These changes would increase revenues by $44 million over the 1999-2003 period. Other major provisions in the amendment would create tax-exempt bonds for private-sector construction of highways and would delay the indexing for all qualified transportation benefits in 1999, resulting in a net revenue loss of $32 million over the 1999-2003 period. Together, the provisions in Title VI would result in a net increase of $12 million in revenues over the 1999-2003 period.

In addition, S. 1173 would increase some of the penalties and fines for violations of highway safety regulations. CBO expects that the increase in collections as a result of these changes would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted. Also, only changes in direct spending outlays and changes in receipts are subject to pay-as-you-go requirements; the discretionary outlays from contract authority subject to obligation limitations are not included as pay-as-you-go effects because those outlays are controlled by appropriation acts.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	-6	4	19	35	50	67	84	101	119	184
Changes in receipts	0	-13	6	6	-12	-3	-37	9	-6	-1	-20

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1173 contains mandates as defined in UMRA, but they would not impose costs on state, local, or tribal governments in excess of the threshold established by that act ($50 million in 1996, indexed annually for inflation). One section of this bill would limit the liability of an employer requesting safety performance records on job applicants and of persons providing such information. This section would impose a mandate on state governments by preempting any contradictory state laws. Another mandate might be imposed by the section of the bill extending the reach of federal motor carrier safety regulation to cover small vehicles transporting passengers for compensation. This could affect a small number of vehicles operated by state or local governments.

PREVIOUS CBO ESTIMATES

On October 7, 1997, CBO provided a cost estimate for S. 1173, as reported by the Senate Committee on Environment and Public Works on October 1, 1997. The bill as adopted by the Senate includes funding for transit programs, highway safety programs, and research and special programs, which was not in the reported version. The Senate-approved bill also incorporates additional amendments that would affect federal revenues and highway spending.

On January 23, 1998, CBO provided a cost estimate for S. 1271, the Federal Transit Act of 1997, as reported by the Senate Committee on Banking, Housing, and Urban Affairs on October 8, 1997.

On November 7, 1998, CBO provided a cost estimate for S. 1115, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 4, 1997. That version of S. 1115 is identical to the one-call notification authorization language passed by the Senate.

On March 27, 1998, CBO provided a cost estimate for H.R. 2400, as reported by the House Committee on Transportation and Infrastructure on March 25, 1998. S. 1173 would reauthorize many of the same programs that are covered by H.R. 2400; however, S. 1173 contains some additional authorizations of appropriations and a transportation credit program that are not included in H.R. 2400. There are several other differences between H.R. 2400 and S. 1173. For example, the two bills have significantly different effects on outlays from direct spending. In particular, H.R. 2400 would increase the portion of federal-aid highways spending that is exempt from annual obligation limitations by more than $8 billion over the 1998-2003 period, relative to the current law baseline, while S. 1173 would increase outlays from direct spending by only about $100 million over the same period. On the other hand, S. 1173 would establish higher obligation limitations for highway spending. In total, CBO estimates that outlays—from both direct spending and appropriation action—would be $205.6 billion over the 1998-2003 period for S. 1173 and $204.4 billion over the same period for H.R. 2400.

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