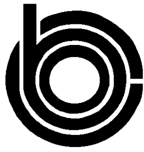

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 7, 1997

S. 1173
Intermodal Surface Transportation Efficiency Act of 1997

As reported by the Senate Committee on Environment and Public Works on October 1, 1997

SUMMARY

S. 1173 would reauthorize the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and would provide $145.3 billion in contract authority for the Federal Highway Administration's (FHWA's) Federal-Aid Highways program for the fiscal years 1998 through 2003. In addition to providing contract authority, S. 1173 would authorize the appropriation of $2.1 billion for programs managed by the Department of Transportation for the same six-year period. The bill would create a new credit program that would likely result in an increase in tax-exempt financing, and a consequent loss of federal revenues. Because S. 1173 would affect direct spending and receipts, pay-as-you go procedures would apply to the bill.

S. 1173 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments except as a condition of receiving federal assistance or participating in a voluntary federal program.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

S. 1173 would reauthorize many of the existing components of the Federal-Aid Highways program and would authorize some new activities within the program. Over the 1998-2003 period, contract authority under the bill would total $137.5 billion for Federal-Aid activities that are subject to annual obligation limitations in appropriation acts, and $7.7 billion for activities that are exempt from such obligation limitations. In addition, the bill would authorize the appropriation of $2.1 billion over the same six-year period for new highway-related spending.

Of the $7.7 billion in estimated contract authority over the 1998-2003 period for exempt programs, $5.7 billion would be for the minimum guarantee program, which would ensure that each state receives a certain minimum share of the total funds apportioned to states under the Federal-Aid Highways program. The bill would provide $900 million in contract authority over the six-year period for rehabilitation of the existing bridge and for construction of a new bridge to replace the Woodrow Wilson Memorial Bridge and that funding would also be exempt from obligation limitations. In addition, the bill would provide $530 million in contract authority for a new program to provide credit assistance for transportation infrastructure finance and innovation. That funding would not be subject to annual obligation limitations, so the outlays from the subsidy costs of the resulting loans and loan guarantees would be direct spending. Finally, the bill would not affect the existing emergency relief program, which is also exempt from obligation limitations. That program receives $100 million a year.

The bill would also require the Secretary of Transportation to complete numerous studies and to submit subsequent reports. In addition, the bill would require the General Accounting Office to complete three highway studies.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of enacting S. 1173 is shown in the following table. The projections of baseline spending under current law cover all the highway programs that were authorized in ISTEA, including FHWA motor carrier safety grants and the National Highway Traffic Safety Administration's (NHTSA's) safety grants—neither of which would be reauthorized in S. 1173, as approved by the Committee on Environment and Public Works.

The total contract authority under the baseline over the 1998-2003 period is nearly identical to the total that would be provided by S. 1173: about $145 billion. This version of the bill does not include funding for FHWA motor carrier safety grants or NHTSA safety grants, which together received $248 million in contract authority in 1997. However, the bill would establish annual obligation limitations that are substantially higher than the level in effect in 1997. For example, the bill would establish an obligation limitation of $21.8 billion for 1998, whereas the 1997 obligation limitation was about $18 billion. Hence, estimated outlays under S. 1173 are much higher than under the baseline.

	By Fiscal Year, in Millions of Dollars						
	1997	1998	1999	2000	2001	2002	2003
DIRECT SPENDING							
Baseline Spending Under Current Law							
Estimated Budget Authority [a]	22,428	23,047	23,378	23,884	24,385	24,900	25,425
Estimated Outlays	2,057	2,052	1,650	1,346	1,162	1,064	980
Proposed Changes							
Estimated Budget Authority	0	665	238	-85	-324	-283	59
Estimated Outlays	0	73	245	333	407	482	552
Total Spending Under S. 1173							
Estimated Budget Authority	22,428	23,712	23,617	23,800	24,060	24,617	25,484
Estimated Outlays	2,057	2,126	1,895	1,679	1,570	1,546	1,532
SPENDING SUBJECT TO APPROPRIATION							
Spending Under Current Law							
Budget Authority	364	0	0	0	0	0	0
Estimated Outlays [b]	18,366	18,595	18,853	19,242	19,670	20,215	20,755
Proposed Changes							
Estimated Authorization Level	0	190	182	382	382	432	482
Estimated Outlays [c]	0	532	2,184	2,904	2,938	2,841	2,884
Spending Under S. 1173							
Estimated Authorization Level	364	190	182	382	382	432	482
Estimated Outlays	18,366	19,127	21,037	22,146	22,607	23,056	23,639
CHANGES IN REVENUES							
Estimated Revenues [d]	0	-1	-3	-9	-16	-22	-28

a. The 1997 level is the amount of contract authority provided under ISTEA. The 1998-2003 levels are the amounts included in CBO's March 1997 baseline, which assumes annual increases for anticipated inflation.

b. Outlays from the mandatory contract authority for programs that are subject to annual obligation limitations, and from discretionary appropriations.

c. Outlays from new authorizations in addition to the programs subject to annual obligation limitations.

d. Minus signs denote a loss of revenues.

CBO estimates that spending under the bill would total about $142 billion over the 1998-2003 period. Of that amount, $131.6 billion would be discretionary outlays and $10.3 billion would be direct spending. Of the $131.6 billion in total estimated outlays subject to appropriation, about $129 billion would come from contract authority, and $2.6 billion would come from amounts authorized to be appropriated by S. 1173 or already appropriated in prior years. Under the CBO baseline, direct spending outlays would total

$8.3 billion over the 1998-2003 period (about $2 billion less than the six-year total for S. 1173), and discretionary outlays from contract authority would total about $117 billion over the same period (approximately $12 billion less than under S.1173). The costs of this legislation fall within budget function 400 (transportation).

Enacting S. 1173 would also affect revenues. The Joint Committee on Taxation estimates that the new credit program would increase tax-exempt debt, resulting in a loss of revenues to the federal government totaling $79 million over the 1998-2003 period.

BASIS OF ESTIMATE

Enacting S. 1173 would affect direct spending, spending subject to appropriation, and revenues. In particular, the bill would provide $145.3 billion in contract authority, which is a form of direct spending, for the Federal-Aid Highways program. 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 all of the outlays for other exempt programs 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 bill, a portion of the minimum guarantee spending would be subject to annual obligation limitations and the remainder would be exempt. Outlays from the exempt portion of the minimum guarantee program would be direct spending.

Under the baseline, CBO assumes continued funding for the minimum allocation program (which would be replaced by minimum guarantee funding), one of the exempt programs under current law. Based on projections from the FHWA that CBO used in its March 1997 baseline, the estimated funding for minimum allocation would be $4.1 billion over the 1998-2003 period—$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.

Under the formula contained in S. 1173, we expect that the minimum guarantee program would cost more than the minimum allocation program. CBO assumes that this new program would have the same obligation rates and outlay rates as assumed for minimum allocation. Based on FHWA projections, CBO estimates that funding for the portion of the minimum guarantee program that would be exempt from obligation limitations would total $5.7 billion over six years—$896 million in 1998, $898 million in 1999, $909 million in 2000, $926 million in 2001, $991 million in 2002, and $1,096 million in 2003.

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.

For the Woodrow Wilson Memorial Bridge project, S. 1173 would provide contract authority of $100 million a year for 1998 and 1999, $125 million in 2000, $175 million in 2001, and $200 million a year for 2002 and 2003. The bill would exempt that spending from obligation limitations, so outlays relating to the bridge project would be direct spending. CBO estimates that outlays for the bridge project would total about $640 million over the 1998-2003 period.

The contract authority authorized for transportation infrastructure finance and innovation credit would also be exempt from obligation limitations. CBO estimates that the outlays for this new credit activity would total about $470 million over the 1998-2003 period. The authorized funding for the new credit program is assumed to be for the costs of the subsidies to support the direct loans and loan guarantees that would be provided under the bill. CBO estimates the subsidy amount provided for each year would be spent over a two-year period. (Subsidy outlays are recorded in the year that loans are disbursed; we assume that loans obligated or guaranteed under S. 1173 would be disbursed—on average—over two years.)

Spending Subject to Appropriation

For purposes of this estimate, CBO assumes that the amounts authorized for highway programs would be appropriated by or near the start of each fiscal year. Outlay estimates for all of the spending subject to appropriation are based on historical spending rates for the affected FHWA and NHTSA programs. Because most of the outlays from contract authority are governed by obligation limitations in appropriation acts, they are discretionary and so are included in the table as estimated outlays subject to appropriation. To estimate such outlays, CBO used the obligation limitations specified in the bill.

One of the new programs that would be controlled by Federal-Aid obligation limitations is safety belt incentive grants. A provision in 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 that savings to the states that had caused those budgetary savings. CBO estimates that there would be no significant budgetary savings from this provision because the likelihood that the provisions of the bill would increase seat belt usage significantly 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. CBO assumes that states would only receive the authorized amounts in the bill with no additional funds from budgetary savings.

S. 1173 would give states some additional flexibility in the use of their Federal-Aid Highways dollars, especially funds for the National Highway System (NHS), and the Surface Transportation Program (STP). The bill would give states the ability to put a significant portion of their Federal-Aid Highways dollars in a state infrastructure bank (SIB). Under the bill, a SIB is an infrastructure investment fund that could be created at the state or local level to make loans and provide other forms of financial assistance to surface transportation projects. In addition, a SIB could enhance credit, serve as a capital reserve, subsidize interest rates, ensure letters of credit, and provide security for debt financing. The bill includes language ensuring that the federal disbursements to SIBs do not exceed more than 20 percent of the total federal funds obligated annually for such purposes.

S. 1173 would give states the flexibility to use NHS and STP funds for capital improvements for Amtrak or a publicly owned passenger line, publicly owned intracity or intercity passenger rail or bus terminals, capital improvements for intelligent transportation systems, and publicly owned magnetic levitation projects. Given this additional flexibility, outlays could occur at faster rates for the Federal-Aid Highways program than assumed in the CBO baseline. The outlay pattern assumed for the Federal-Aid program is rather slow, with outlays for each year's obligations spent over nine years because of the significant amount of capital expenditures within the program. If a significant number of states were to spend a large portion of their Federal-Aid Highways funds on Amtrak or other passenger rail expenditures, magnetic levitation projects, or other nontraditional Federal-Aid expenditures, the funds would be spent more quickly than under the traditional program structure.

S. 1173 would authorize the appropriation of $2.1 billion over the 1998-2003 period for new highway programs. The bill would authorize appropriations over the six-year period totaling $750 million for grants to states for trade corridor and border crossing grants, $300 million for the joint partnership for advanced vehicles program, $30 million for the transportation and environmental cooperative, and $20 million for developing and maintaining a reporting

system for excise taxes on motor fuels. In addition, the bill would authorize a total appropriation of $950 million for magnetic levitation grants from 2000 through 2003.

S. 1173 would require the FHWA to conduct studies and publish subsequent reports. It would require the Secretary of Transportation to report on the extent and use by states of uniformed police officers on Federal-Aid Highway construction projects. It would also require the Secretary to report annually on the rates of obligation of funds apportioned under the Federal-Aid Highway program. A third provision would direct the Secretary to submit a report on the activities and results of the new federal credit assistance activity under the bill. Based on information from the FHWA, CBO estimates that the cost of completing the studies and preparing the reports would be less than $100,000 per year. In addition, the bill would require the General Accounting Office (GAO) to complete three highway studies and subsequently publish reports. According to GAO, the cost of completing these studies and reports would not be significant.

Revenues

Subtitle C, Chapter 2 of S. 1173 provides 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 could 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 $79 million over the 1998-2003 period.

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. CBO's estimate of the bill’s impact on outlays from direct spending is summarized in the following table for fiscal years 1998 through 2007. The table also contains estimates of changes in revenues (governmental receipts) provided by the Joint Committee on Taxation. For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted. Also, only direct spending outlays 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.

Summary of Effects on Direct Spending and Receipts										
	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Changes in outlays	73	245	333	407	482	552	517	384	361	336
Changes in receipts	-1	-3	-9	-16	-22	-28	-34	-40	-46	-51

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1173 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments except as a condition of receiving federal assistance or participating in a voluntary federal program. Most of the funding authorized in this bill would be redistributed to states in the form of grants for transportation purposes.

ESTIMATE PREPARED BY:

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