Analysis of the President's Proposed Transportation Budget FY 2003-2007

Prepared by the American Road & Transportation Builders Association

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ABOUT THE AMERICAN ROAD & TRANSPORTATION BUILDERS ASSOCIATION—

ARTBA, founded in 1902, is the only national association that exclusively represents the collective interests of all sectors of the U.S. transportation construction industry before the White House, Congress and federal agencies. Over the past decade, the association has also become the industry's primary advocate in environmental regulatory actions and litigation. ARTBA's more than 6,000 members all have an economic stake in transportation development programs. The association received eight national awards in 1999 for its government relations and communications programs. The U.S. transportation construction industry generates more than $200 billion in U.S. economic activity annually and provides employment for more than 2.5 million Americans.

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Analysis of the President's Proposed FY 2003 Budget for Transportation

EXECUTIVE SUMMARY

- After years of increasing federal transportation investment, the Budget of the U.S. Government for FY 2003 calls for a major reduction in federal funding for transportation. The total requested by President Bush for the U.S. Department of Transportation is $59.3 billion, down $4.3 billion or 6.6 percent from the FY 2002 total of $63.6 billion.

- The federal highway program would be cut $8.6 billion—from $31.8 billion in FY 2002 to a proposed $23.2 billion in FY 2003. The proposed cut results from the fact that the revenue-aligned budget authority (RABA) adjustment for FY 2003 is negative $4.369 billion, the first negative RABA adjustment ever.

- Contrary to administration assertions, however, the negative RABA was not the result of reduced revenues into the Highway Trust Fund. Highway Account revenues collected during FY 2001 were only $500 million below the TEA-21 baseline, accounting for only a small fraction of the negative RABA adjustment. Much more significant were technical adjustments made by the U.S. Treasury Department to correct for earlier forecasting errors involving FY 2000 and 2001 Highway Account revenues.

- The proposed reduction in federal highway funding will, nonetheless, have a significant real impact on state highway improvement programs as well as industry employment, travel conditions, safety and other areas directly affected by highway investment.

- Sufficient revenues in the Highway Account will be collected under TEA-21 to fund a $31.8 billion federal highway program in FY 2003 without exhausting the cash balance in the Highway Trust Fund or requiring the use of general funds.

- Bills have been introduced in both the House of Representatives and the Senate to provide $27.7 billion for the highway program in FY 2003. Enacting these bills, however, would only be the first step in restoring the proposed funding cut. Further legislation during the yearlong budget and appropriations process will very likely be needed.

- The Bush administration's proposed transportation budget for FY 2003 fully adheres to the TEA-21 funding guarantee for mass transit of $7.230 billion. This is $483 million, or 7.2 percent, more than the $6.747 billion enacted for FY 2002.

- The president's budget would provide $3.4 billion for the Airport Improvement Program (AIP) in FY 2003, an increase of $100 million, or 3.0 percent, over the $3.3 billion enacted for the AIP in FY 2002. The AIP funding level for FY 2003, if ratified by Congress, would be almost double the level provided as recently as FY 2000.

- Major increases are requested for only two programs—the U.S. Coast Guard and the new Transportation Security Administration (TSA). The president proposes to spend $4.8 billion for the TSA, a new agency created in response to the September 11, 2001, terrorist attacks on the United States.

- The president's budget requests a $25 million increase for the Federal Motor Carrier Safety Administration while the National Highway Traffic Safety Administration would receive about the same as in FY 2002.

- The budget includes $521 million designated as Amtrak capital improvements. While this is the same as in FY 2002, the administration is preparing recommendations to change Amtrak and is apparently including the $521 million in the budget only as a placeholder.

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INTRODUCTION

After years of increasing federal transportation investment, the Budget of the U.S. Government for FY 2003 submitted by the Bush administration on February 4, 2002, calls for a major reduction in federal funding for transportation.

The total requested for the U.S. Department of Transportation (U.S. DOT) in FY 2003 is $59.3 billion. This is down $4.3 billion or 6.6 percent from the FY 2002 enacted total of $63.6 billion.

For the core transportation investment programs—the federal-aid highway program, the mass transit program and the airport improvement program—the budget requests a total of $33.8 billion for FY 2003. This is down $8.1 billion or 19.4 percent from the total of $42.0 billion enacted for FY 2002.

The mass transit program would receive the amount guaranteed in the Transportation Equity Act for the 21st Century (TEA-21) for FY 2003—$7.2 billion or about $500 million more than FY 2002. The airport improvement program would receive the full $3.4 billion authorized in the Aviation Improvement and Reform Act for the 21st Century (AIR-21), an increase of $100 million.

The federal highway program, on the other hand, would be cut $8.6 billion—from $31.8 billion in FY 2002 to a proposed $23.2 billion in FY 2003. The proposed cut results from the fact that the revenue-aligned budget authority (RABA) adjustment for FY 2003 is negative $4.369 billion, the first negative RABA adjustment ever. The swing from a positive RABA adjustment of $4.543 billion in FY 2002 to negative $4.369 for FY 2003 accounts for most of the proposed reduction in funding for the federal highway program[1].

Major increases are requested for only two programs—the U.S. Coast Guard and the new Transportation Security Administration. The Coast Guard request of $7.1 billion is $1.4 billion or 25 percent more than was enacted for FY 2002. Half of the increase, however, represents a lump-sum payment to the military retirement fund, to fully accrue retirement costs of Coast Guard personnel.

In addition, the president's budget proposes to spend $4.8 billion for the Transportation Security Administration (TSA), a new agency created by Congress in response to the September 11, 2001, terrorist attacks on the United States. The budget request for the TSA represents an increase

[1] The budget for FY 2003 also projects that $1.1 billion of prior-year and equity funds will be obligated for highways during the year, bringing the highway total to $24.1 billion. This is $9.2 billion down from the $33.3 billion FY 2002 total including such funds.

of $3.5 billion over the $1.3 billion of emergency start-up funds that were provided during FY 2002. Much of the TSA budget will be used to strengthen airport security, including the cost of 30,000 airport baggage screeners and the air marshal program.

The president's budget requests a small increase for highway safety programs. The Federal Motor Carrier Safety Administration would receive $25 million more than in FY 2002, to be used for the border enforcement program. The funds needed to provide this increase would be taken from the federal highway program. The National Highway Traffic Safety Administration would receive about the same as in FY 2002.

The budget also includes $521 million designated as Amtrak capital improvements. While this is the same as in FY 2002, the administration is preparing recommendations to change Amtrak and is apparently including the $521 million in the budget only as a placeholder.

Table 1 provides an overview of the funds requested for transportation programs in the FY 2003 budget.

Table 1 - Transportation in the Proposed Budget for FY 2003

(Millions of dollars)

Program	FY 2002 Enacted	FY 2003 Budget	Change
Federal-aid highway program			
TEA-21 guaranteed obligation limitation	$27,280	$27,653	$373
Revenue Aligned Budget Authority (RABA)[1]	$4,519	-$4,369	-$8,888
Adjustment for proposed transfer to Federal Motor Carrier Safety Administration		-$80	-$80
Total highway program obligation limitation	**$31,799**	**$23,204**	**-$8,595**
Additional Minimum Guarantee, prior-year & other funds	$1,513	$918	-$595
Highway program total	**$33,312**	**$24,122**	**-$9,190**
Highway safety			
National Highway Traffic Safety Administration	$428	$430	$2
Federal Motor Carrier Safety Administration	$345	$371	$26
Highway safety programs total	$773	$801	$28
Mass transit total, including:	$6,874	$7,230	$356
Modernization program	**$1,136**	**$1,214**	**$78**
New starts program	**$1,136**	**$1,214**	**$78**
Aviation total, including:	$14,238	$14,012	-$226
Airport improvement program	**$3,300**	**$3,400**	**$100**
Other U.S. DOT programs			
Transportation Security Administration[2]	$1,345	$4,676	$3,331
United States Coast Guard	$5,577	$7,149	$1,572
All other	$1,450	$1,326	-$124
Total other	$8,372	$13,151	$4,779
Total U.S. DOT budget	$63,569	$59,316	-$4,253

Source: *FY 2003 Budget of the U.S. Government,* plus supplemental information

1 FY 2002 RABA was $4.543 billion, including $24 million transferred to FMCSA pursuant to PL109-159

2 In FY 2003, TSA will receive $124 million from FAA, for a total budget of $4.8 billion

The Federal Highway Program

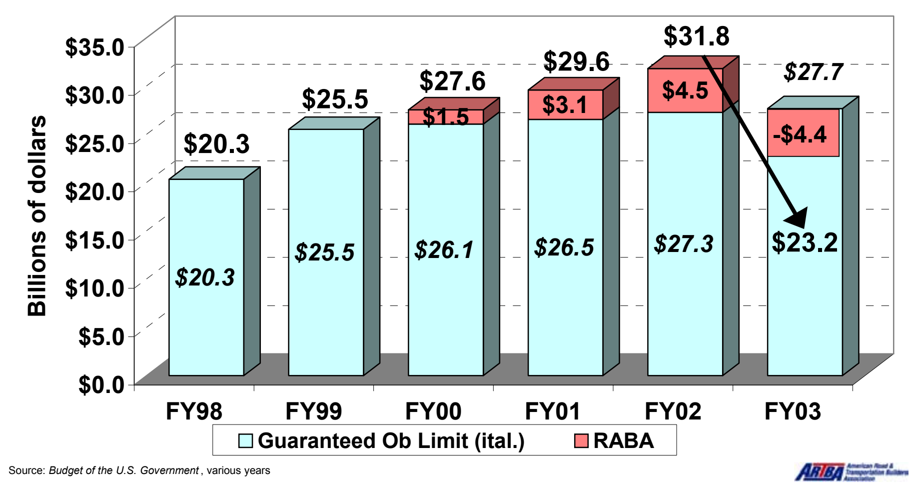
The most serious concern in the president's budget for FY 2003 is the proposed $8.6 billion cut in funding for the federal highway program.

The president's FY 2003 budget requests $23.2 billion for the highway program compared to $31.8 billion provided in FY 2002. If Congress goes along with this proposal, it would be the largest one-year cut ever in the federal highway funding.

The budget also proposes to transfer $25 million of highway program funds to the Federal Motor Carrier Safety Administration (FMCSA) for the border enforcement program. Because of arcane budget scoring conventions, this transfer would actually reduce the amount available for the highway program by $80 million.

The proposed budget for the federal highway program for FY 2003 compared to previous years is shown in Figure 1.

Figure 1 - Negative RABA Would Cut Highway Program $8.6 Billion in FY 2003



Source: *Budget of the U.S. Government*, various years

RABA adjustment for FY 2003

The proposed cut occurs largely because the RABA adjustment for FY 2003 is negative $4.369 billion, the first negative RABA adjustment under TEA-21. Under the Budget Enforcement Act, a negative RABA adjustment reduces the budget firewall for the highway program from the amount provided in TEA-21 and thus the TEA-21 guaranteed spending level. The swing from a positive RABA of $4.543 billion in FY 2002 to negative $4.369 billion for FY 2003 accounts for most of the proposed $8.6 billion reduction in funding for the federal highway program.

A full explanation of the RABA adjustment procedure and a flow chart explaining how the negative RABA for FY 2003 was computed is attached as appendix A.

Highway Account revenues

It is widely believed that the RABA adjustment for FY 2003 is negative because of a decline in gas tax revenues into the Highway Trust Fund. This assertion has appeared in a number of newspaper articles and administration statements. But it is not an accurate statement of the facts. Data obtained by ARTBA from the U.S. Department of the Treasury show that motor fuel tax revenues collected during fiscal year (FY) 2001 were actually about even with the amount collected during FY 2000.

The RABA cut for FY 2003 is, instead, largely due to faulty forecasts of FY 2000 and FY 2001 Highway Account receipts by the Treasury Department. The corrections to these forecasts directly affected the data used to compute the FY 2003 RABA adjustment and accounted for much of the negative RABA adjustment.

Details on Highway Account receipts for FY 2000 and FY 2001 and the forecasting corrections that affected the FY 2003 RABA computation are provided in Appendix B.

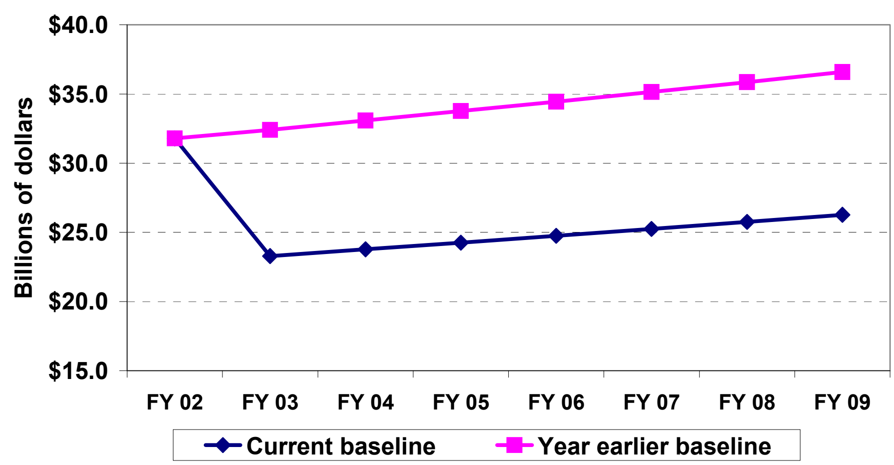
Impact of proposed highway funding cut

Despite the widespread misunderstanding of what caused the negative RABA adjustment, the proposed reduction in federal highway funding will have a significant real impact on state highway improvement programs as well as industry employment, travel conditions, safety and other areas directly affected by highway investment.

- **Job Loss.** An $8.6 billion cut in federal highway investment in FY 2003 would reduce employment in America by more than 360,000 jobs over the next seven years, with roughly 70 percent of the job loss occurring in 2003 and the election year 2004. This works out to more than 825 jobs per Congressional district. A state-by-state breakdown of the job loss is shown in Table 2. This job loss will occur at a time when the economy is struggling to emerge from recession. Much of the job loss would affect minorities, especially Hispanic workers who make up almost a third of the transportation construction workforce.

- **TEA-21 Reauthorization Baseline.** The FY 2003 obligation limitation will be the major determinant of the baseline funding levels for the fiscal years covered by TEA-21 reauthorization legislation. As Figure 2 shows, the $8.6 billion cut would lower future baseline highway funding by more than $10 billion each year below the levels included in the FY 2002 budget submitted just a year ago. Starting from this baseline will make it much more difficult for Congress to increase federal highway investment after TEA-21 expires.

Figure 2 - $8.6 Billion Cut In Highway Program Will Lower Baseline for TEA-21 Reauthorization



Source: Congressional Budget Office

Table 2 - FY 2003 Federal Highway Funds & Employment Loss Resulting From $8.6 Billion Highway Investment Cut[1]

State	FY 2002 Highway Program Funds/2	Est. FY 2003 Program Funds/2	FY 2003 Highway Funds Lost/2	Employment Loss/3
Alabama	$561,369,840	$421,025,208	-$140,344,632	-5,894
Alaska	$314,796,052	$246,539,742	-$68,256,310	-2,867
Arizona	$486,224,631	$365,140,719	-$121,083,912	-5,086
Arkansas	$362,652,003	$275,455,607	-$87,196,396	-3,662
California	$2,517,465,102	$1,899,291,678	-$618,173,424	-25,963
Colorado	$353,164,878	$265,780,999	-$87,383,879	-3,670
Connecticut	$408,920,297	$313,495,052	-$95,425,245	-4,008
Delaware	$119,922,416	$91,097,545	-$28,824,871	-1,211
Dist. of Col.	$110,273,846	$81,398,200	-$28,875,646	-1,213
Florida	$1,289,548,451	$974,165,577	-$315,382,874	-13,246
Georgia	$988,693,630	$745,903,153	-$242,790,477	-10,197
Hawaii	$142,271,252	$106,770,543	-$35,500,709	-1,491
Idaho	$211,278,292	$160,135,462	-$51,142,830	-2,148
Illinois	$933,065,783	$697,096,259	-$235,969,524	-9,911
Indiana	$638,900,893	$486,743,971	-$152,156,922	-6,391
Iowa	$329,542,978	$247,574,819	-$81,968,159	-3,443
Kansas	$324,857,477	$241,313,125	-$83,544,352	-3,509
Kentucky	$483,920,664	$362,099,979	-$121,820,685	-5,116
Louisiana	$433,579,090	$330,471,089	-$103,108,001	-4,331
Maine	$147,088,238	$109,890,629	-$37,197,609	-1,562
Maryland	$446,350,792	$339,318,294	-$107,032,498	-4,495
Massachusetts	$514,207,475	$387,835,987	-$126,371,488	-5,308
Michigan	$894,938,840	$673,029,684	-$221,909,156	-9,320
Minnesota	$408,448,438	$309,125,401	-$99,323,037	-4,172
Mississippi	$355,307,069	$268,482,622	-$86,824,447	-3,647
Missouri	$646,930,635	$488,228,184	-$158,702,451	-6,666
Montana	$266,187,164	$204,791,716	-$61,395,448	-2,579
Nebraska	$216,342,091	$159,818,713	-$56,523,378	-2,374
Nevada	$199,134,908	$149,455,313	-$49,679,595	-2,087
New Hampshire	$140,217,067	$107,247,956	-$32,969,111	-1,385
New Jersey	$724,639,854	$541,582,536	-$183,057,318	-7,688
New Mexico	$268,593,028	$203,825,094	-$64,767,934	-2,720
New York	$1,410,507,671	$1,064,982,917	-$345,524,754	-14,512
North Carolina	$776,521,747	$584,307,329	-$192,214,418	-8,073
North Dakota	$179,364,937	$134,932,708	-$44,432,229	-1,866
Ohio	$959,669,321	$725,512,146	-$234,157,175	-9,835
Oklahoma	$428,337,012	$318,248,522	-$110,088,490	-4,624
Oregon	$337,801,111	$255,489,120	-$82,311,991	-3,457
Pennsylvania	$1,391,790,146	$1,045,698,054	-$346,092,092	-14,536
Rhode Island	$164,112,784	$123,469,448	-$40,643,336	-1,707
South Carolina	$461,162,748	$350,138,781	-$111,023,967	-4,663
South Dakota	$198,817,128	$150,819,598	-$47,997,530	-2,016
Tennessee	$624,496,977	$476,815,649	-$147,681,328	-6,203
Texas	$2,146,259,084	$1,614,117,018	-$532,142,066	-22,350
Utah	$216,504,854	$161,358,980	-$55,145,874	-2,316
Vermont	$124,155,175	$94,175,207	-$29,979,968	-1,259
Virginia	$710,248,118	$544,143,511	-$166,104,607	-6,976
Washington	$493,771,495	$368,381,629	-$125,389,866	-5,266
West Virginia	$308,059,534	$234,857,433	-$73,202,101	-3,074
Wisconsin	$545,548,760	$410,919,572	-$134,629,188	-5,654
Wyoming	$188,997,682	$143,820,077	-$45,177,605	-1,897
State Total	$27,904,959,458	$21,056,318,555	-$6,848,640,903	-287,643
Allocated programs	$3,894,144,542	$2,148,468,445	-$1,745,676,097	-73,318
Grand Total	$31,799,104,000	$23,204,787,000	-$8,594,317,000	-360,961

1/ Includes $80 million reduction due to proposed transfer to Federal Motor Carrier Safety Administration
2/ Source: FHWA 2/4/02 Comparison of Estimated FY 2003 Distribution of Obligation Limitation and … President's Budget
3/ Employment loss is spread over 7 years, with most loss occurring in 2003 and 2004.

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Current Balance in Highway Account of the Highway Trust Fund: $18,855,632,135

- **Cancellation of Highway Improvements.** Based on reports from state DOTs, a number of states have already started to terminate or postpone projects on the basis of the expected cut in FY 2003 federal highway funding. The chaos caused by the proposed cut in federal highway funding will continue until federal funding for FY 2003 has been resolved. This needs to be addressed quickly to allow state construction programs to proceed unimpeded for the 2002 construction season.

- **Cannibalization of State Highway Budgets.** The states rely on federal highway funds to finance, on average, almost half of their annual highway capital improvement programs. A cut in federal highway funds in FY 2003 would exacerbate their budget problems and likely force many to cannibalize their own highway improvement programs to complete construction on federal-aid projects.

- **Safety and environmental improvements.** Roadway conditions have been identified as a factor in more than 15,000 highway traffic fatalities each year. Highway improvements—including straightening alignments, adding shoulders, widening lanes, adding turn lanes, installing guiderails and barriers—save lives. An $8.6 billion cut in highway funding would eliminate many highway improvement projects that could save lives and reduce accidents. The highway program is also a major source of funding for environmental improvements, including wetland mitigation, carpooling, archaeological research and historic preservation. More than $1 billion of highway program funds are used each year for transit operating and capital expenses. An $8.6 billion cut in funding for the federal highway program would jeopardize these benefits as well.

<u>Highway Account balance</u>

Is there enough money in the Highway Trust Fund to restore the federal highway program to a $31.8 billion funding level in FY 2003?

Looking just at the cash balance does not provide a sufficient answer. At the end of FY 2001, the cash balance in the Highway Account was just under $19 billion. But with over $40 billion of highway funds obligated for projects and the bills yet to come due, an argument could be made that the balance has been spoken for and none of the cash is available to support additional funding.

Fortunately, this is not the appropriate measure of what the trust fund could support.

The relevant question is whether total user fee excise tax revenues expected to be collected in the Highway Account under TEA-21 would be sufficient to cover all of the bills that must be paid under TEA-21. If TEA-21 will generate more Highway Account revenues than would be needed to cover all TEA-21 highway program bills, there is room for additional highway investment without generating a deficit in the Highway Account.

According to the latest estimate by the Federal Highway Administration, total TEA-21 revenues are expected to exceed all possible outlays by almost $10 billion. The additional $8.6 billion for FY 2003 could be funded out of this surplus.

But for those who are concerned that this would push the surplus uncomfortably close to zero, there is even better news.

There is room for additional highway funding within TEA-21 without even touching this surplus.

TEA-21 provided a total of $177 billion for the federal highway program. But TEA-21 also put a limit of $162 billion on the amount FHWA and the state DOTs would actually be allowed to obligate for projects. The additional $15 billion represents funds that have been apportioned to the states but can't actually be spent without additional Congressional authorization.

Calculating the potential surplus at the end of TEA-21, however, requires that all of this $15 billion be treated as though it will have to be paid. Congress could thus restore the $8.6 billion for FY 2003 without reducing the projected TEA-21 surplus because the surplus calculation already assumes the $8.6 billion (and more) will be spent.

There is another confusion that has been raised by Congressional Budget Office (CBO) baseline projections for the Highway Account of the Highway Trust Fund. The CBO table projects that the cash balance in the Highway Account will fall to zero by FY 2006 if the $8.6 billion is restored in FY 2003 and highway spending grows from that level thereafter.

This raises the concern that exhausting the cash balance may make it impossible to pay all highway program obligations from the Highway Account, forcing the use of general funds.

This, however, is highly unlikely to happen. The reason is that the CBO projections assume that the obligation limitation for the highway program will run about $3.5 billion above revenues into the Highway Account each year. But under TEA-21, this cannot happen. TEA-21 specifies that the annual obligation limitation must e equal dollar-for-dollar the previous year's Highway Account revenues.

Assuming this relationship is retained in reauthorization legislation, the CBO assumption would be specifically precluded. If the annual obligation limitation is determined by the previous year's revenues, it is highly unlikely that outlays from the Highway Account would ever exceed revenues into the account.

A much more realistic scenario is that the cash balance in the Highway Account would grow steadily as it has under TEA-21.

Furthermore, the CBO baseline projection fails to acknowledge that TEA-21 expires on September 30, 2003, and the federal motor fuels excise taxes expire September 30, 2005. Both must be reauthorized in order for highway funding or excise tax collections to continue after those dates. It is highly likely that Congress will make changes to both funding levels and tax rates in the reauthorization legislation.

The argument that the highway program should not receive full funding in FY 2003 because the cash balance runs out by FY 2007 under one of many possible reauthorization scenarios simply makes no sense. A full analysis of the CBO baseline projections is included as Appendix C.

The $8.6 billion cut should be restored for FY 2003 because the user fee excise taxes are in the trust fund to pay for it. The impact on the cash balance after FY 2003 should be addressed, if necessary, as part of TEA-21 reauthorization legislation.

Congressional action

Bills have been introduced in both the House of Representatives and the Senate to restore some, but not all, of the proposed

$8.6 billion cut in highway program funding. S.1917 and H.R.3694 would establish that the FY 2003 obligation limitation for the federal-aid highway and highway safety construction programs should be "not less than $27,746,000,000." This is the original amount guaranteed for the highway and highway safety programs in TEA-21 and thus would offset the impact of the negative $4.369 billion RABA adjustment.

Enacting this legislation, however, would only be the first step in restoring the proposed funding cut. Further legislation during the yearlong budget and appropriations process will very likely be needed.

MASS TRANSIT PROGRAM

The Bush administration's proposed transportation budget for FY 2003 fully adheres to the TEA-21 funding guarantee for mass transit of $7.230 billion. This is $483 million, or 7.2 percent, more than the $6.747 billion enacted for FY 2002.

Figure 3 - Mass Transit Program Funding TEA-21 versus ISTEA

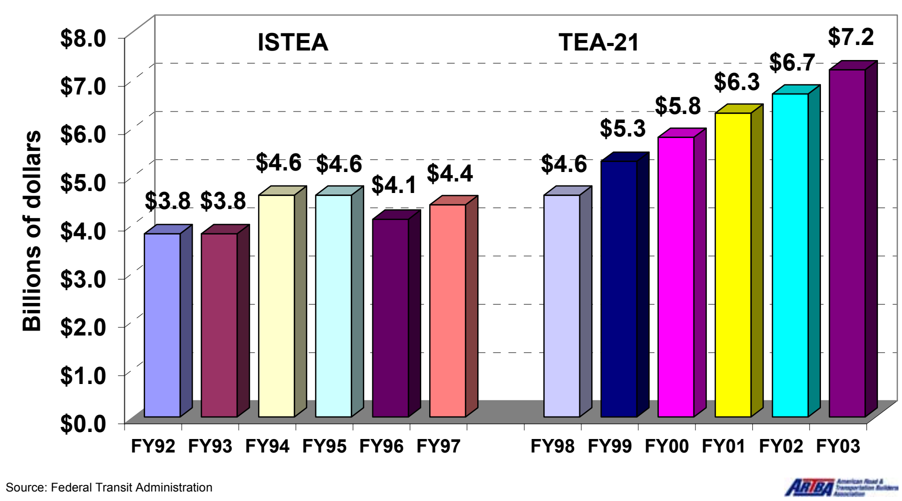


Figure 3 shows the amounts provided in TEA-21 for mass transit compared to the funding levels provided under ISTEA. Except for the small across-the-board budget reductions that affected all federal spending in FY 2000 and FY 2001, Congress has consistently adhered to the TEA-21 funding guarantees for mass transit.

The federal transit program provides grants to states and local transit agencies, primarily for capital expenditures. There are two major programs that can contribute to construction of permanent transit facilities. One is the urban area formula grant program, which is apportioned to areas with populations of 50,000 or more and can be used for any capital expenditure as well as preventive maintenance. While most of these funds are used to support bus transit systems, fixed guideway construction is an eligible expense.

More important is the capital investment grant program, which funds fixed guideway modernization projects as well as new start projects. Grants under the modernization program are distributed by formula to older fixed guideway transit systems for the acquisition, reconstruction and improvement of facilities and equipment. The budget for

FY 2003 recommends $1.214 billion for this program, the full amount provided in TEA-21.

The new starts programs, which would also be funded at the full $1.214 billion recommended in TEA-21, provides multi-year grants for construction of new fixed guideway systems or extensions of existing systems. Funds can be used for heavy rail, light rail, subway, commuter rail, people movers, bus/HOV facilities, purchase of right of way and construction of park-and-ride lots. The federal share can be no more than 80 percent of the total cost of the project.

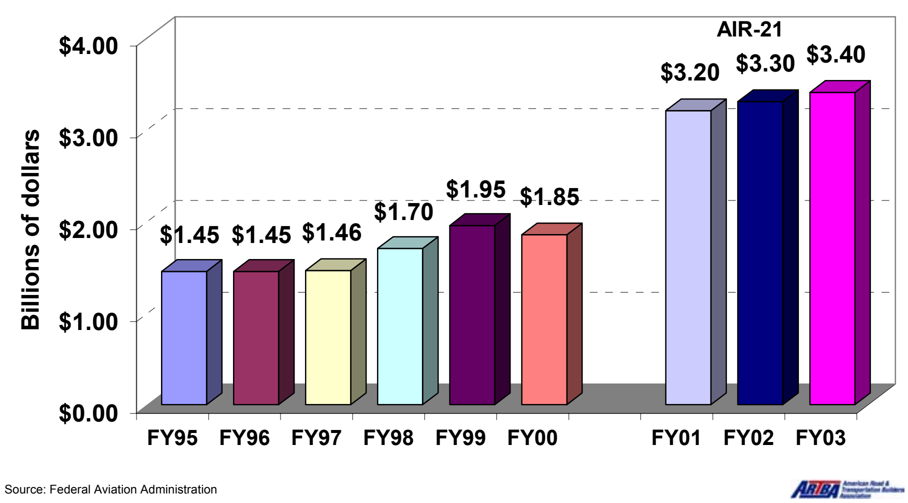
The FY 2003 budget would continue funding for 25 fixed-guideway systems in 15 states and Puerto Rico that are currently under construction, plus provide start-up funds for four new projects expected to be covered by full funding grant agreements during FY 2003.

The big increase in federal funding for new transit starts under TEA-21 has taken some time to get into the pipeline but began to have a noticeable impact on transit construction in 2001. The Federal Transit Administration entered into 17 full funding agreements for new fixed guideway projects with state and local transit agencies in fiscal years 2000 and 2001. Many of these projects and projects awarded in FY 1998 and 1999 are now beginning construction. In fact, the value of new contracts awarded and the amount of construction work performed on transit projects in 2001 rose more than 75 percent over the 2000 level after years of decline, a definite sign that TEA-21 is having a positive impact on transit construction.

AIRPORT IMPROVEMENT PROGRAM

Under the Aviation Investment and Reform Act for the 21st Century (AIR-21), federal funding for the Airport Improvement Program (AIP) is scheduled to grow to $3.4 billion in FY 2003. The president's budget honors that commitment. This would represent a $100 million, or 3.0 percent, increase over the $3.3 billion enacted for the AIP in FY 2002. The AIP funding level for FY 2003, if included in the budget by Congress as expected, would be almost double the level provided as re-

Figure 4 - Budget for the Airport Improvement Program

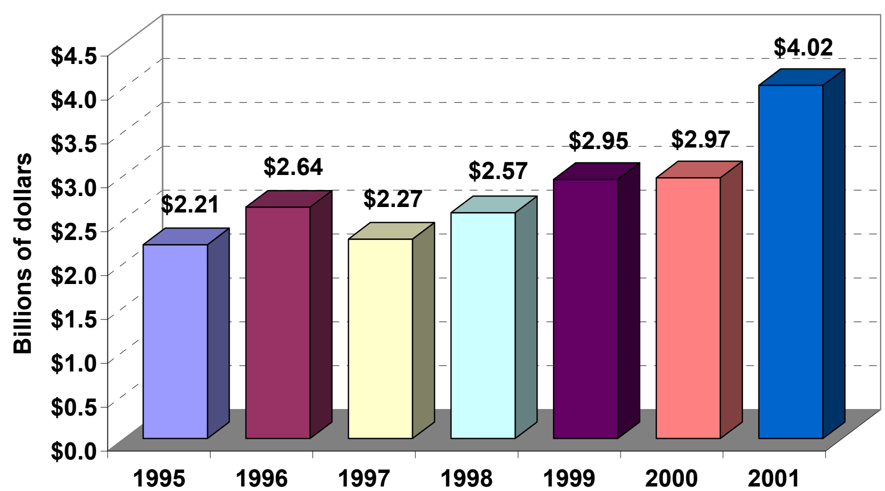


cently as FY 2000, as Figure 4 shows.

AIP funds account for only part of airport construction expenditures—the rest come from airport revenues, state and local governments, and passenger facility charges. But most of the funds provided to airports under the AIP are used for construction of runways, taxiways and other airside facilities. As a result, the big AIP increases in FY 2000 and FY 2001 under AIR-21 have already had a significant effect on airport construction, as Figure 5 shows. During 2001, the dollar volume of construction work performed on runways and taxiways rose more than 40 percent over 2000.

At this time, it is difficult to judge the potential impact of the September 11 terrorist attacks on airport construction. The AIP increase in FY 2003 will help sustain construction, particularly since AIP funds are distributed primarily to smaller airports that continue to have significant investment needs and must be used for runway and other airside construction. Airport revenues and passenger facility charge revenues will likely be down until airline travel returns to normal. But only a fraction of these revenues are spent for runway and other airside construction, so the impact on airport construction may not be as bad as feared.

Figure 5 - Value of Construction Work Performed on Airport Runways



Other Transportation Programs

Major increases are requested for only two programs—the U.S. Coast Guard and the new Transportation Security Administration. The Coast Guard request of $7.1 billion is $1.4 billion or 25 percent more than was enacted for FY 2002. Half of the increase, however, represents a lump-sum payment to the military retirement fund, to fully accrue retirement costs of Coast Guard personnel.

In addition, the president's budget proposes to spend $4.8 billion for the Transportation Security Administration (TSA), a new agency created by Congress in response to the September 11, 2001, terrorist attacks on the United States. The budget request for the TSA represents an increase of $3.5 billion over the $1.3 billion of emergency start-up funds that were provided during FY 2002. Much of the TSA budget will be used to strengthen airport security, including the cost of 30,000 airport baggage screeners and the air marshal program.

The president's budget requests a small increase for highway safety programs. The Federal Motor Carrier Safety Administration would receive $25 million more than in FY 2002, to be used for the border enforcement program. The funds needed to provide this increase would be taken from the federal highway program. The National Highway Traffic Safety Administration would receive about the same as in FY 2002.

The budget also includes $521 million designated as Amtrak capital improvements. While this is the same as in FY 2002, the administration is preparing recommendations to change Amtrak and is apparently including the $521 million in the budget only as a placeholder.

APPENDIX A: HOW THE FY 2003 "RABA" ADJUSTMENT WAS CALCULATED

By Economics and Research Team
American Road and Transportation Builders Association

The revenue-aligned budget authority (RABA) adjustment for Fiscal Year (FY) 2003 is computed by a two-step process that is set out in section 8101(d) of TEA-21.

- The first step is to "look back" at the just-completed fiscal year (FY 2001) and compute the difference between:

  (1) receipts credited by the U.S. Department of the Treasury to the Highway Account of the Highway Trust Fund for FY 2001, minus

  (2) the adjusted baseline estimate of Highway Account receipts for FY 2001[2].

  (3) The difference between these two figures comprises one component of the FY 2003 RABA adjustment.

- Then "look forward" to the budget year (FY 2003) and compute the difference between:

  (4) the latest estimate of Highway Account receipts for FY 2003 from OMB's Final Sequestration Report minus

  (5) the baseline estimate of Highway Account receipts for FY 2003 from TEA-21 section 8101(d)(2).

  (6) The difference between these two figures comprises the other component of the RABA adjustment.

- The sum of the "look back" and "look forward" results is the RABA adjustment for FY 2003.

- Finally, the original estimate of Highway Account receipts for the budget year (FY 2003) in section 8101(d)(2) of TEA-21 is replaced by the latest estimate used in the RABA computation, in order to eliminate double-counting in any future RABA computations.

The attached flow chart shows how the FY 2003 RABA adjustment was computed.

[2] The *adjusted* baseline estimate of Highway Account receipts for FY 2001 is the sum of (1) the original TEA-21 baseline estimate from section 8101(d)(2) plus (2) the "look ahead" contribution to the RABA adjustment that was made for FY 2001.

HOW THE FY 2003 "RABA" ADJUSTMENT Was Calculated

(millions of dollars)

The "look-back" computation

Begin with receipts credited to the Highway Account of the Highway Trust Fund for FY 2001	$26,900
Subtract the adjusted TEA-21 baseline estimate of Highway Account receipts for FY 2001 (equals the original baseline estimate of $28,506 from section 8101(d)(2) of TEA-21 plus the "look-ahead" contribution of $1,862 to the FY 2001 RABA adjustment)	-$30,368
The difference is one component of the FY 2003 RABA adjustment.	**= -$3,468**

The "look forward" computation

Begin with latest estimate of FY 2003 Highway Account receipts from OMB's Final Sequestration Report as revised.	$28,570
Subtract the original estimate of Highway Account receipts for FY 2003 in TEA-21 (from section 8101(d)(2) of TEA-21).	-$29,471
The difference is the other component of the FY 2003 RABA adjustment.	**= -$901**
Add the "look back" and "look forward" results. This is the RABA adjustment for FY 2003.	**= -$4,369**

Computation of firewall guarantee for FY 2003 after RABA adjustment

Begin with firewall guarantee for the federal highway program from TEA-21	$27,653
Subtract the FY 2003 RABA adjustment	-$4,369
Equals the revised firewall guarantee for the federal highway program for FY 2003	**= $23,284**

Appendix B: Treasury Data Show Gas Tax Receipts Were Level in FY 2001 — Negative RABA Due Mainly to Truck Taxes, Forecasting Errors

By Economics and Research Team
American Road and Transportation Builders Association

The assertion that the $8.6 billion projected cut in highway funding in FY 2003 is due to declining gas tax revenues has appeared in a number of newspaper articles and administration statements. But it is not an accurate statement of the facts. U.S. Treasury Department data obtained by ARTBA show that motor fuel tax revenues collected during fiscal year (FY) 2001 were actually about even with the amount collected during FY 2000.

Instead, the Treasury Department credited the Highway Account of the Highway Trust Fund with $1.1 billion less than was actually collected in FY 2001. This was done to make up for a forecasting error that credited $1.1 billion too much to the Highway Account in FY 2000. This adjustment was a major factor in the computation that led to negative revenue aligned budget authority (RABA) for FY 2003.

The details are shown in the following table. For each fiscal year, the first column shows the amount of revenues that were actually collected during the fiscal year. The second column shows the amount credited to the Highway Account for the fiscal year. The third column shows the difference that was corrected in FY 2001. The net result is that the FY 2001 revenue figure used in the computation of the FY 2003 RABA was $1.1 billion less than was

Actual Receipts Vs. Amounts Credited to the Highway Account of the Highway Trust Fund, FY 2000 and FY 2001
(in millions of dollars)

User fee	FY 2000: Amount actually collected	FY 2000: Amount credited to HA[1]	FY 2000: Excess corrected in FY 2001[1]	FY 2001: Amount actually collected	FY 2001: Amount credited to HA	FY 2001: Correction for FY 2000 excess
Truck excise taxes	$4,100.8	$4,684.3	$395.1	$2,836.1	$2,441.0	-$395.1
Motor fuel excise taxes						
Gasoline	$17,842.0	$17,969.2	$470.0	$17,391.8	$16,921.8	-$470.0
Diesel	$7,386.0	$7,427.1	$201.0	$7,359.4	$7,158.4	-$201.0
Gasohol	$1,299.4	$1,293.1	$23.3	$1,542.1	$1,518.8	-$23.3
Motor fuel excise tax total	$26,527.4	$26,689.4	$694.3	$26,293.2	$25,598.9	-$694.3
Refunds and adjustments	-$1,039.4	-$1,039.4		-$1,140.3	-$1,140.3	
Total	$29,588.8	$30,334.3	$1,089.4	$27,989.0	$26,899.6	-$1,089.4

Source: ARTBA analysis of U.S. Department of Treasury data
1 FY 2000 was also adjusted to reflect excess amounts credited to the HA in FY 1999. This is included in the amount credited to HA in FY 2000 but not shown separately. FY 2001 will also be revised again in April when actual deposits for the 4th quarter are available.

ARTBA American Road & Transportation Builders Association actually collected.

The technical adjustment occurred because amounts credited to the Highway Account for the 4th quarter of FY 2000 were estimates that did not fully take into account the economic slowdown that began in mid-2000. Rather than revise the FY 2000 totals when the data on actual 4th quarter receipts became available in March 2001, Treasury reduced the amount credited to the Highway Account for FY 2001.

This technical reduction in FY 2001 Highway Account receipts contributed $1.1 billion to the negative $4.4 billion RABA adjustment for FY 2001. Two other technical factors accounted for much of the remaining negative RABA:

(1) an overestimate of revenues used to compute the FY 2001 RABA adjustment which raised the TEA-21 baseline for the FY 2003 RABA adjustment by almost $1.8 billion, and

(2) an underestimate of projected Highway Account revenues in FY 2003, which took the RABA adjustment down another $900 million. The FY 2003 projection does not appear consistent with the administration's economic assumptions and does not appear to take into account historical data showing that highway travel and truck excise tax receipts recover sharply after a recession ends.

The table shows that motor fuel tax revenues did decline $234 million between FY 2000 and FY 2001. This decline was due entirely, however, to the controversy over the MTBE gasoline additive and the resulting switch in many states to gasohol for clean air purposes. Gasohol is taxed at a much lower rate than gasoline. During FY 2001, consumption of gasohol rose 3.5 billion gallons or almost 20 percent over FY 2000. Much of this involved a substitution of gasohol for gasoline, causing a $300 million loss of motor fuel tax receipts. Absent this MTBE-related switch to gasohol to meet clean air goals, motor fuels excise collections in FY 2001 would have been equal to collections in FY 2000.

Most of the decline in Highway Account revenues between FY 2000 and FY 2001 thus was due to the impact of the recession on truck excise and use taxes. Actual collections fell from $4.1 billion in FY 2000 to $2.8 billion in FY 2001. The amounts of truck excise and use tax receipts credited to the Highway Account were also affected by the technical adjustment, as the table shows.

In response to the technical problems with the FY 2003 RABA adjustment, the Transportation and Infrastructure Committee of the House of Representatives has requested a General Accounting Office audit of the procedures used the Department of the Treasury and Office of Management and Budget to calculate the FY 2003 RABA adjustment. While the GAO report may not be available until the late spring of 2002, the U.S. Treasury Department data reveal that the negative RABA adjustment for FY 2003 was not due to a decline in motor fuel tax revenues but to technical adjustments made by Treasury to correct previous errors in crediting revenues to the Highway Account of the Highway Trust Fund.

Appendix C - Analysis of Congressional Budget Office Baseline Forecast for Highway Trust Fund Shows $31.8 Billion Program for FY 2003 Possible Without Exhausting Cash Balance

By Economics and Research Team
American Road and Transportation Builders Association

INTRODUCTION

Each January, the Congressional Budget Office (CBO) prepares a 10-year baseline analysis of the Highway Trust Fund. This baseline projects long-term highway and mass transit program expenditures, revenues and balances under "current policies" adjusted for anticipated inflation and other factors.

The baseline prepared by CBO in January 2002 has raised fears that the cash balance in the Highway Account will fall to zero by FY 2006 if Congress keeps FY 2003 highway program funding at $31.8 billion rather than accede to the president's budget request of $23.2 billion.

Fortunately, it is very unlikely that the Highway Account will run out of cash.

To understand why, it is important to examine the assumptions and procedures used in preparing the baseline:

- First, the CBO baseline is not a forecast, but a projection of current highway program spending adjusted for anticipated inflation and other economic factors. It does not represent what CBO believes will actually happen in the future.

- Second, the procedures for developing the CBO baseline are governed by specific rules. Following the rules may provide some consistency in how the figures are computed but does not necessarily mean they will be accurate forecasts. In the case of the Highway Account, at least one computation rule is inconsistent with TEA-21.

- Third, the CBO baseline builds on actual data for the most recent fiscal year. If there are any anomalies in that data, the anomalies will be incorporated into the entire forecast.

- Finally, the baseline is sensitive to the initial assumptions. A small change in an initial assumption could result in a significant change in the baseline. Thus, it is important to understand the assumptions and how they affect the baseline.

The following analysis will discuss these issues in relation to the January CBO baseline for the Highway Account of the Highway Trust Fund.

Table 1 provides the important details of the CBO January baseline, followed by some alternative scenarios.

CBO Baseline

Line 1—shows the CBO baseline obligation limitation for the highway program. This is computed by applying an inflation factor to the actual obligation limitation of $31.8 billion for FY 2002. Under the CBO January baseline, the obligation limitation grows by about 2 percent per year. Note that the obligation limitation for FY 2003 is shown as $32.4 billion in the January baseline, which is more than is being discussed under any highway funding proposal for FY 2003. This procedure for projecting the obligation limitation does not conform to TEA-21 convention, which sets the annual obligation limitation equal to prior year revenues.

Line 2—shows projected Highway Account receipts as estimated by CBO.

Line 3—shows CBO's baseline outlays from the Highway Account. Since highway funds spend out over a period of approximately seven years, CBO uses a spend-out formula based on historic experience to estimate annual outlays from the Highway Account. The figures in line three are the results of those computations. The procedures for computing baseline outlays are not an issue.

Line 4—shows CBO's baseline annual surplus or deficit in the Highway Account. These figures are computed simply by subtracting outlays from revenues each fiscal year.

Line 5—shows CBO's projected cash balance in the Highway Account at the end of the fiscal year. It is computed simply by adding the annual surplus to, or subtracting the deficit from, the previous year's end-of-year (EOY) balance.

Discussion. As can be seen from the attached table, CBO's January baseline shows an obligation limitation each year that is anywhere from $1 billion to $3.5 billion above anticipated revenues into the Highway Account. As a result, baseline outlays from the Highway Account exceed revenues into the account each year, which requires drawing down the cash balance each year. By FY 2006, the cash balance would be exhausted. After that, the cash balance would become increasingly negative, which means the Highway Account would have to borrow from the general fund to meet its obligations and pay its bills.

The following alternative scenarios show why this is, in fact, highly unlikely.

Alternative 1

In this alternative, we set the obligation limitation for FY 2003 at $31.8 billion and then follow the TEA-21 principle of setting the obligation limitation equal to prior year Highway Account revenues for FY 2004 and beyond.

A primary goal of TEA-21 was to assure that all revenues into the Highway Account are spent solely for transportation investments. To accomplish this, TEA-21 established the principle that each year's obligation limitation should be equal to last year's revenues into the Highway Account. The annual revenue-aligned budget authority (RABA) adjustment was created to maintain this relationship whenever Highway Account revenues exceeded or fell short of the revenue estimates in place when TEA-21 was enacted.

But, as can easily be seen in the first section of Table 1, the CBO baseline obligation limitation each year is billions of dollars above prior year revenues. This is because the baseline computation rules require CBO to start with the FY 2002 figure and apply an inflation factor, as discussed earlier.

Congress has never provided obligation limitations so out of line with revenues in the past. A more probable forecast is that Congress will continue to tie the annual obligation limitation to revenues when it reauthorizes the highway program after FY 2003. The CBO baseline fails to reflect this important principle of TEA-21.

In Alternative 1, ARTBA altered the CBO baseline to tie each year's obligation limitation to prior year revenues, which is the principle used to compute the annual obligation limitation under TEA-21. The revised obligation limitation figures are shown in the first line of Alternative 1. You can see that, from FY 2004 on, the annual obligation limitation is just equal to CBO's baseline revenue projection for the previous fiscal year. Alternative 1 also assumes a $31.8 billion obligation limitation for FY 2003 rather than the higher amount in the CBO baseline. These are the only two changes made to the CBO January baseline; the outlay and cash balance figures change as a result of these changes.

As can be seen, under Alternative 1, annual Highway Account deficits would be significantly lower than under the CBO January baseline and would disappear after FY 2009. The cash balance gradually declines to just under $7 billion and then stabilizes at that level. It does not go negative at any time in the forecast period.

The fear that providing a $31.8 billion highway program in FY 2003 will exhaust the cash balance in the Highway Account is thus solely the result of CBO's baseline computation rules and not a likely forecast. Simply using the TEA-21 principle for setting the annual obligation limitation shows that the cash balance will not be exhausted but will stabilize at about $7 billion.

ALTERNATIVE 2:

IN THIS ALTERNATIVE, WE REVISE THE CBO HIGHWAY ACCOUNT REVENUE FORECAST WITH A MORE LIKELY FORECAST

CBO uses a complex model to forecast highway account revenues. Each of the six main revenue sources—the federal gasoline, diesel and gasohol excises plus the taxes on truck sales, tire sales and truck use—is analyzed separately and the results are added together. While these details are not available for the CBO forecast, they are available for a similar baseline forecast prepared by the Office of Tax Analysis of the U.S. Treasury for use in preparing the FY 2003 budget. The two forecasts track very closely, so it is assumed that problems with the Treasury forecast apply to the CBO data as well.

The Treasury, and by implication CBO, baseline revenue forecast raises three concerns:

- The January 2002 baseline assumes that revenues from the retail tax on trucks will not recover to the pre-recession level until FY 2008, seven years after the trough of the current recession. This is completely at odds with every past recession, where truck tax revenues equaled or surpassed the pre-recession peak within two years of the recession trough—including the 1981-82 recession, which was the worst in the post-war period and far more severe than the current recession. Assuming that it will take seven years to reach a level attained within two years after previous recessions means the CBO baseline may be significantly understating future Highway Account revenues. For example, if truck excise taxes return to the pre-recession peak in three rather than seven years, annual Highway Account revenues would be $1.1 billion higher than the CBO baseline. If it takes four years, annual revenues would still be more than $800 million higher.

- On February 28, the Bureau of Economic Analysis of the U.S. Department of Commerce reported that real Gross Domestic Product (GDP) rose 1.4 percent during the 4th quarter of 2001 rather than the previous estimate of 0.2 percent. The economy appears to be stronger than originally thought and the GDP estimates used by CBO to prepare the January baseline thus may have been too low. Adopting a higher GDP forecast should also raise projections of Highway Account revenues.

- The Treasury Department credited the Highway Account with $26.9 billion of revenues in FY 2001, even though just under $28 billion of revenues were actually collected. The difference was a bookkeeping correction to make up for the fact that $1.089 billion too much was credited to the Highway Account in FY 2000. For FY 2002, CBO estimates that Highway Account revenues will be $27.9 billion, which is a reasonable increase over the $26.9 billion credited to the account for FY 2001 given the forecast for economic recovery this year. But it is less than was actually collected in FY 2001. CBO and Treasury say their revenue forecast models are independent of the amount of revenues collected in FY 2001. But if the full $28 billion had been credited to the Highway Account in FY 2001, would CBO and Treasury have projected less revenue in FY 2002 given the forecast of economic recovery? It seems more likely that a higher starting point would have resulted in a higher revenue forecast.

These concerns suggest CBO's January revenue estimates may give too pessimistic a result if used to decide whether the Highway Account could support a $31.8 billion highway program in FY 2003.

To provide a more realistic picture, Alternative 2 shows what would happen to the cash balance if revenues come in $1 billion higher than the CBO baseline for FY 2003 through FY 2012. All other elements remain the same as in CBO original baseline, including the assumption that the obligation limitation grows with inflation rather than being linked to prior-year revenues.

This change alone does not prevent the cash balance from turning negative. But it postpones the time at which the cash balance turns negative by two fiscal years compared to the January CBO baseline.

Furthermore, the size of the negative balance is much smaller than in the baseline.

As Alternative 2 shows, just a small change in initial assumptions can have a major impact on future projections. A more realistic assumption about Highway Account revenues eliminates much of the problem with the cash balance, even assuming rising obligation limitations. It seems likely then that as the economy recovers and CBO incorporates updated economic information into its baseline projections, the revenue forecasts in the January baseline will turn out to be too pessimistic.

Alternative 3:

In this alternative, we set the obligation limitation each year equal to prior year revenues as in Alternative 1 but use the revised revenue forecast from Alternative 2

This alternative combines the first two. It sets the obligation limitation for FY 2003 at $31.8 billion and adopts the TEA-21 convention of setting the obligation limitation for FY 2004 through FY 2012 equal to prior-year revenues. It also incorporates the more realistic revenue projections used in Alternative 2.

The table shows that under Alternative 3 the cash balance in the Highway Account would not go below $9 billion. In addition, it should be noted that higher revenues would also permit a larger highway program than under Alternative 1. A small increase in revenues above the CBO baseline thus not only permits additional highway program spending, it also generates a larger cash balance.

Alternatives 4 and 5:

In these two alternatives, we ask if Congress provides $31.8 billion for the highway program in FY 2003, how much could the program grow thereafter without exhausting the cash balance in the Highway Account

Finally, as a last illustration, we ask how large a highway program could be supported by the Highway Account without exhausting the cash balance if Congress provides $31.8 billion in FY 2003. Alternative 4 is based on the original Highway Account revenues projections from the January CBO baseline, while Alternative 5 is based on the more realistic revenue forecast used in Alternatives 2 and 3.

Under Alternative 4, which uses CBO's baseline revenue forecast, we could provide $31.8 billion for the federal highway program in FY 2003, keep it at that level through FY 2005, have a small amount of growth in FY 2006 and then track CBO's projection of 2 percent annual growth thereafter.

Under Alternative 5, Congress could provide an obligation limitation of $31.8 billion in FY 2003 and provide steady growth thereafter of just below 1.9 percent per year yet never exhaust the cash balance in the Highway Account. This is not quite as much growth as in the CBO baseline, but it would preserve a positive cash balance throughout the forecast period.

The important point about both of these alternatives is that Congress could provide $31.8 billion for the highway program in FY 2003 and at least that much every year thereafter without exhausting the cash balance of the Highway Account.

TEA-21 REAUTHORIZATION

TEA-21 expires on September 30, 2003, and the federal motor fuels excise taxes expire September 30, 2005. Both must be reauthorized in order for highway funding or excise tax collections to continue after those dates. It is highly likely that Congress will make changes to both funding levels and tax rates in the reauthorization legislation. The CBO baseline thus is only an intellectual exercise when applied to FY 2004 and beyond, as are all of the alternatives explored in this analysis. No forecast can anticipate what will actually happen until Congress reauthorizes the program.

CONCLUSION

The argument that Congress should not provide full funding for the highway program in FY 2003 because the cash balance would run out by FY 2006 under the CBO baseline simply makes no sense. As this analysis has shown, the CBO baseline uses fixed rules that are not consistent with TEA-21 or past Congressional actions and combines them with a revenue forecast for the Highway Account that is probably too pessimistic.

Under virtually any set of alternative assumptions, full funding of $31.8 billion for the federal highway program can be provided in FY 2003 without ever exhausting the cash balance in the Highway Account.

The Balance in the Highway Account of the Highway Trust Fund
CBO January Baseline Projection versus More Realistic Alternative Scenarios
(millions of dollars)

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
CBO January baseline											
Obligation limitation	31,799	32,413	33,088	33,762	34,437	35,144	35,852	36,593	37,333	38,074	38,847
Tax revenues	27,901	28,866	30,035	30,981	31,884	32,831	33,803	34,797	35,812	36,901	37,923
Outlays	31,387	33,561	34,483	35,137	35,879	36,454	37,166	37,867	38,598	39,340	39,827
Surplus or deficit	-3,486	-4,695	-4,448	-4,156	-3,995	-3,623	-3,363	-3,070	-2,796	-2,439	-1,904
EOY cash balance	16,886	12,191	7,742	3,587	-408	-4,031	-7,395	-10,464	-13,251	-15,690	-17,594
Alternative 1: Set ob limit each year equal to prior year revenues as in TEA-21and assume $31.8 billion ob limit for FY 2003.											
Obligation limitation	31,799	31,799	28,866	30,035	30,981	31,884	32,831	33,803	34,797	35,812	36,901
Tax revenues	27,901	28,866	30,035	30,981	31,884	32,831	33,803	34,797	35,812	36,901	37,923
Outlays	31,387	33,395	33,085	32,253	32,626	33,211	33,989	34,838	35,735	36,735	37,498
Surplus or deficit	-3,486	-4,529	-3,050	-1,272	-742	-380	-186	-41	77	166	425
EOY cash balance	16,886	12,357	9,307	8,035	7,293	6,913	6,727	6,686	6,763	6,930	7,355
Alternative 2: Replace CBO revenue forecast with a more likely forecast											
Obligation limitation	31,799	32,413	33,088	33,762	34,437	35,144	35,852	36,593	37,333	38,074	38,847
Tax revenues	27,901	29,866	31,035	31,981	32,884	33,831	34,803	35,797	36,812	37,901	38,923
Outlays	31,387	33,561	34,483	35,137	35,879	36,454	37,166	37,867	38,598	39,340	39,827
Surplus or deficit	-3,486	-3,695	-3,448	-3,156	-2,995	-2,623	-2,363	-2,070	-1,786	-1,439	-904
EOY cash balance	16,886	13,191	9,743	6,587	3,592	969	-1,394	-3,464	-5,250	-6,689	-7,593
Alternative 3: Set ob limit each year equal to prior year revenues and replace CBO revenue forecast with a more likely forecast											
Obligation limitation	31,799	31,799	29,866	31,035	31,981	32,884	33,831	34,803	35,797	36,812	37,901
Tax revenues	27,901	29,866	31,035	31,981	32,884	33,831	34,803	35,797	36,812	37,901	38,923
Outlays	31,387	33,395	33,355	32,943	33,486	34,131	34,949	35,818	36,735	37,735	38,498
Surplus or deficit	-3,486	-3,529	-2,320	-962	-602	-300	-146	-21	77	166	425
EOY cash balance	16,886	13,357	11,037	10,075	9,473	9,173	9,027	9,006	9,083	9,250	9,675

Source: ARTBA analysis of CBO and U.S. Treasury data

The Balance in the Highway Account of the Highway Trust Fund
CBO January Baseline Projection versus More Realistic Alternative Scenarios (cont.)
(millions of dollars)

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Alternative 4: Based on CBO's original revenue forecast, what size program could the Highway Account support without exhausting the cash balance											
Obligation limitation	31,799	31,799	31,799	31,799	31,970	32,626	33,284	33,972	34,659	35,346	36,064
Tax revenues	27,901	28,866	30,035	30,981	31,884	32,831	33,803	34,797	35,812	36,901	37,923
Outlays	31,387	33,395	33,877	33,961	34,132	34,302	34,814	35,388	36,023	36,691	37,116
Surplus or deficit	-3,486	-4,529	-3,842	-2,980	-2,248	-1,471	-1,011	-591	-211	210	807
EOY cash balance	16,886	12,357	8,515	5,534	3,286	1,814	803	212	1	211	1,018
Alternative 5: Based on the more likely revenue forecast, what size program could the Highway Account support without exhausting the cash balance											
Obligation limitation	31,799	31,799	32,392	32,996	33,611	34,237	34,875	35,525	36,187	36,862	37,549
Tax revenues	27,901	29,866	31,035	31,981	32,884	33,831	34,803	35,797	36,812	37,901	38,923
Outlays	31,387	33,561	34,483	35,137	35,879	36,454	37,166	37,867	38,598	39,340	39,827
Surplus or deficit	-3,486	-3,529	-3,002	-2,552	-2,295	-1,834	-1,492	-1,111	-746	-322	288
EOY cash balance	16,886	13,357	10,355	7,802	5,508	3,673	2,182	1,071	325	3	291

Source: ARTBA analysis of CBO and U.S. Treasury data