



**Committee on Transportation and Infrastructure
U.S. House of Representatives**

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July 19, 2013

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Highways and Transit
FROM: Staff, Subcommittee on Highways and Transit
RE: Subcommittee Hearing on “How the Financial Status of the Highway Trust Fund Impacts Surface Transportation Programs”

PURPOSE

The Subcommittee on Highways and Transit will meet on Tuesday, July 23, 2013, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to the current financial status of the Highway Trust Fund (HTF) and its impact on federal surface transportation programs. The Committee will hear from the Congressional Budget Office and the U.S. Department of Transportation (DOT).

BACKGROUND

Federal Surface Transportation Programs

Federal surface transportation programs – highway, transit, and highway safety programs – are administered by DOT in partnership with states, public transit agencies, and localities. While DOT provides financial and technical assistance, the partners are tasked with carrying out the programs on a day-to-day basis.

The federal surface transportation programs are user-fee funded through federal excise taxes levied on motor fuels and on various highway-related products such as tires and heavy trucks. In general, fuel taxes comprise approximately 90 percent of HTF net revenue (not including interest and other income). Revenues from all of these taxes are deposited into the HTF and may be used only for eligible surface transportation projects and activities.

History of the HTF

When the HTF was established in 1956, the excise tax rates for fuels were 3 cents per gallon. Since then the tax rate and structure have been revised several times.

The *Surface Transportation Assistance Act of 1982* (P.L. 97-424) increased the tax rates from 4 cents per gallon to 9 cents per gallon and established separate Highway and Mass Transit Accounts within the HTF. As a result, 1 cent out of every 9 cents per gallon collected was deposited into the Mass Transit Account moving forward.

The *Superfund Amendments and Reauthorization Act of 1986* (P.L. 99-499) raised the fuel tax rates by 0.1 cent per gallon to 9.1 cents per gallon of gasoline and 15.1 cents per gallon of diesel and deposited the revenues generated from that increase into the newly established Leaking Underground Storage Tank Trust Fund. The *Omnibus Budget Reconciliation Act of 1990* (1990 Budget Act) (P.L. 101-508) allowed the 0.1 increase to lapse on September 30, 1996.

The *Omnibus Budget Reconciliation Act of 1990* (OBRA 1990) (P.L. 101-508) raised the fuel tax rates by 5 cents per gallon to 14.1 cents per gallon of gasoline and 20.1 cents per gallon of diesel. For the first time, a portion of the taxes, 2.5 cents per gallon, was put into the General Fund of the U.S. Treasury for deficit reduction.

The *Omnibus Budget Reconciliation Act of 1993* (OBRA 1993) (P.L. 103-66) raised fuel tax rates by another 4.3 cents per gallon to 18.4 cents per gallon and deposited all the receipts from that increase into the General Fund for deficit reduction. OBRA 1993 also transferred the 2.5 cents gasoline tax that was dedicated for deficit reduction from the General Fund to the HTF beginning on October 1, 1995.

The *Taxpayer Relief Act of 1997* (P.L. 105-34) redirected the receipts from the 4.3 cents per gallon rate hike back to the HTF (80 percent to the Highway Account, and 20 percent to the Mass Transit Account). The Act also reinstated the 0.1 cent per gallon fuel taxes for the Leaking Underground Storage Tank Trust Fund that lapsed on September 30, 1996.

Currently, of the 18.4 cents per gallon tax on gasoline, 15.44 cents is deposited into the Highway Account, 2.86 cents is deposited into the Mass Transit Account, and 0.1 cent is deposited into the Leaking Underground Storage Tank Trust Fund. Of the 24.4 cents per gallon federal excise tax on diesel, 21.44 cents is deposited into the Highway Account, 2.86 cents is deposited into the Mass Transit Account, and 0.1 cent is deposited into the Leaking Underground Storage Tank Trust Fund.

Highway Trust Fund Taxes

Motor Fuel Taxes				
		Distribution of the Tax within HTF		
	Tax Rate (cents per gallon)	Highway Account	Transit Account	Leaking Underground Storage Tank Trust Fund
Gasoline	18.4	15.44	2.86	0.1
Diesel	24.4	21.44	2.86	0.1
Other Taxes – All revenue deposited into the Highway Account				
Tires	Tax is imposed on tires sold by manufacturers, producers, or importers at the rate of \$0.0945 for each 10 pounds of the maximum rated load capacity over 3,500 pounds.			
Truck and trailer sales	12 percent of retailer's sale price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW. The tax applies to parts and accessories sold in connection with the vehicle sale.			
Heavy vehicle use	Annual tax: Trucks 55,000-75,000 pounds GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 Trucks over 75,000 pounds GVW, \$550			

Recent Authorization Bills and Extensions

When Congress passed the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) (P.L. 109-59) in 2005, the unexpended balance in the HTF and projected economic growth was supposed to sustain the federal surface transportation programs through fiscal year 2009. However, the economic downturn combined with more fuel efficient vehicles and lower vehicle miles traveled sped up the decline in the HTF balance.

In fall 2008, the cash balances of the Highway Account were insufficient to operate the HTF. As a result, Congress passed H.R. 6532, which transferred \$8 billion from the General Fund to the HTF. Between SAFETEA-LU and the next long-term highway reauthorization, Congress passed nine extensions and transferred approximately \$27 billion from the General Fund to the HTF in order to maintain its solvency.

On July 6, 2012, *Moving Ahead for Progress in the 21st Century Act* (MAP-21) (P.L. 112-141) was enacted and reauthorized federal surface transportation programs through September 30, 2014. MAP-21 preserved the direct link between investment in transportation programs and revenues coming into the HTF. MAP-21 included approximately \$19 billion in General Fund transfers to maintain the solvency of the HTF through fiscal year 2014. These transfers are fully offset and do not add to the deficit.

In total, between fiscal year 2008 and fiscal year 2014, Congress has transferred

approximately \$54 billion from the General Fund to maintain the solvency of the HTF.

Current Status of the HTF

In fiscal year 2012, the Highway Account's revenue was \$37.6 billion and the Transit Account's revenue was \$5.0 billion for a total of \$42.6 billion, while expenditures totaled \$49.3 billion, according to the most recent full-fiscal year data available from the DOT.

In fiscal year 2015, the Highway Account's revenue is projected to be \$33.8 billion and the Transit Account's revenue is projected to be \$4.9 billion for a total of \$38.7 billion, while expenditures are projected to total \$53.2 billion, according to Congressional Budget Office (CBO) estimates. In fiscal year 2015, CBO estimates that the HTF will have a cash shortfall of \$8.7 billion. This projected cash shortfall will grow in subsequent years if left unaddressed, with CBO estimating that the HTF will face a cash deficit of \$132.6 billion in fiscal year 2023.

If the shortfall goes unaddressed, the DOT may need to take steps, such as rationing reimbursements, to maintain a prudent balance in the HTF prior to fiscal year 2015. In addition, absent additional revenue, funding for federal surface transportation programs will be cut dramatically in fiscal year 2015 and reduced to a lesser degree in subsequent years in order to maintain the solvency of the HTF over the course of the 10-year baseline.

WITNESS LIST

Mr. Kim P. Cawley
Unit Chief, Natural and Physical Resources Cost Estimates Unit
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The Honorable Polly Trottenberg
Under Secretary for Policy
U.S. Department of Transportation