COMMITTEE ON FINANCE
NEWS RELEASE
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FOR IMMEDIATE RELEASE
June 29, 2012

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BAUCUS HELPS LEAD PASSAGE OF JOB-CREATING HIGHWAY, STUDENT LOAN BILL

Finance Chairman Helps Craft Legislation that Supports More than a Million Jobs and Reduces the Deficit

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today helped lead the Senate to pass the federal highway bill, which makes critical infrastructure investments across the country and supports or creates more than a million jobs. The bipartisan legislative package also includes important provisions to prevent the increase of student loan rates and reauthorize the National Flood Insurance Program.

In his role as Finance Committee Chairman, Baucus worked to find funding for the package which reduces the federal deficit.

"This bill provides the transportation infrastructure and access to education our economy and businesses need to create jobs. It's an investment in our economic future," Baucus said. **"This shows that when we put partisan differences aside, we can come together and find solutions to tackle the challenges facing America."**

The two-year highway bill reauthorizes and fully funds the Highway Trust Fund, the federal funding source for transportation infrastructure projects like roads, highways, bridges and mass transit. The bill is also an investment in good-paying American jobs; the critical infrastructure investments supported by the bill create or support more than a million jobs, ensure safety and mobility, reduce traffic congestion and improve air quality all across the country.

In addition, the Congressional Budget Office (CBO) reports the federal highway bill approved by Congress today will reduce the federal deficit.

The funding added to the Highway Trust Fund comes from a transfer from the Treasury's General Fund. The amount transferred from the General Fund is fully replenished through a provision stabilizing pension interest rates and a provision boosting Pension Benefit Guaranty Corporation premiums, as well as other offsets.

The agreement also averts an interest rate increase for the seven million students who will take out education loans next year.

The final package funding the highway bill and the student loan rate provision, which is fully paid for, will cost $27.185 billion. The summary below includes items within Finance Committee jurisdiction:

SUMMARY OF THE FINANCE COMMITTEE TITLE TO THE HIGHWAY AND STUDENT LOAN BILL

Highway Authorization and Revenue Transfer to the Highway Trust Fund

Extension of Highway Trust Fund Expenditure Authority. Under present law, revenues from the highway excise taxes, as levied through June 30, 2012, generally are dedicated to the Highway Trust Fund. Current law authorizes expenditures, subject to appropriations, from the Highway Trust Fund through June 30, 2012. This provision would extend the expenditure authority for the Highway Trust Fund through September 30, 2014.

Extension of Highway-Related Taxes. Six separate excise taxes are levied to finance the Federal Highway Trust Fund program. Three of these taxes are levied on highway motor fuels. The remaining three are a retail sales tax on heavy highway vehicles, a manufacturers' excise tax on heavy vehicle tires, and an annual use tax on heavy vehicles. The annual use tax on heavy vehicles expires October 1, 2012. Except for 4.3 cents per gallon of the Highway Trust Fund fuels tax rates, which is permanent, the remaining taxes are scheduled to expire after June 30, 2012. This provision would extend the motor fuel taxes and all three non-fuel excise taxes at their current rates through September 30, 2016.

Transfer of Revenue to the Highway Trust Fund. The conference report transfers revenue from the General Fund to the Highway Trust Fund sufficient to pay for current levels of funding plus inflation through fiscal year 2014, as well as ensuring the full Department of Transportation-recommended cushion levels. This provision would transfer $6.2 billion to the Highway Account (as defined in subsection (e)(5)(B)) in the Highway Trust Fund in 2013 and $10.4 billion in 2014. This provision would also transfer $2.2 billion to the Mass Transit Account in the Highway Trust Fund in 2014. In total, it would transfer $18.8 billion to the Highway Trust Fund over the life of the bill. *This provision does not have a budgetary effect.*

Offsets

Pension Interest Rate Stabilization. For pension funding purposes, plan liabilities are calculated by discounting projected future payments to a present value by using legally required interest rates based on corporate bonds: the lower the rate, the greater the liability. These rates have been abnormally low for a significant period of time. As a result of the current interest rate climate, contributions for 2012 will be much greater than for prior years. Under this provision, plan liabilities would continue to be determined based on corporate bond segment rates, which are based on the average interest rates over the preceding two years. However, beginning in 2012 for purposes of the minimum funding rules, any segment rate must be within ten percent (increasing to 30 percent in 2016 and thereafter) of the average of such segment rates for the 25-year period preceding the current year. This provision would stabilize the fluctuation of interest rates from year to year, resulting in fewer sharp declines and fewer sharp increases in interest rates. Thus, because there is an inverse relationship between the level of interest rates and the level of required contributions, as compared to current law, higher contributions will be made during periods of abnormally high interest rates and lower contributions will be made during periods of abnormally low interest rates. This provision would not apply with respect to participant disclosures. Participants will be informed of the funded status of their plan using current law interest rate assumptions and this change for three years. *This provision is estimated to raise $9.394 billion in revenue over ten years.*

PBGC Premiums. Under current law, employers that sponsor plans are required to pay insurance premiums to the Pension Benefit Guaranty Corporation (PBGC). Employers pay a fixed-rate premium equal to $35 per participant per year (indexed for inflation) and a variable rate premium equal to $9 per $1,000 in underfunding (not indexed for inflation). There is no limit on the variable rate premium. Multiemployer plans must pay premiums equal to $9 per participant, indexed for inflation. The proposal would (1) adjust the variable premium for inflation beginning in 2013, (2) set a maximum variable premium of $400 beginning in 2013, (3) increase the variable premium by $4 in 2014 and by an additional $5 in 2015, (3) increase the fixed rate premium by $6 in 2013 and by an additional $7 in 2014, and (4) increase the multiemployer premiums by $2 beginning in 2013. *This provision is estimated to save $10.575 billion (including interactions with the interest rate stabilization provision) over ten years.*

LUST Fund Transfer. The Leaking Underground Storage Tank (LUST) Trust Fund was established in 1986 to support States and the Environmental Protection Agency in efforts to remediate leaks from underground storage tanks. On every gallon of taxable motor fuel, 0.1 cents is deposited in the LUST Trust Fund. These revenues have consistently been greater than outlays and the fund has accumulated a balance of $3.745 billion as of the end of fiscal year 2011. The total revenue into the fund including interest is over $300 million per year while outlays are just over $100 million per year. This provision would transfer $2.4 billion from the LUST Trust Fund to the Highway Trust Fund as of the date of enactment. *This provision has no budgetary effect.*

Technical Correction Related to the Disaster Recovery FMAP Provision. The ACA included a provision known as the "disaster-recovery Federal Medical Assistance Percentages" designed to help states adjust to drastic changes in FMAP following a statewide disaster. Once triggered, the policy would provide assistance for as many as seven years following the disaster, as long as the state continued to experience an FMAP drop of more than three percentage points. The Middle Class Tax Relief and Job Creation Act of 2012 corrected the formula. This provision would move the effective date to October 1, 2012 and adjusts the formula for fiscal year 2013. *This policy is estimated to save $670 million.*

Phased Retirement Authority. Under current law, a federal employee cannot begin receiving retirement benefits without terminating employment. This results in the loss of experienced workers who might want opt to work on a part-time basis if they were able to supplement their compensation with retirement benefits. Under the proposal, which was included in the Administration's 2013 budget, employees who are otherwise eligible for retirement benefits could continue working on a reduced schedule and collect a corresponding percentage of their retirement benefits. For example, an employee could continue working half time and be entitled to receive half of his or her retirement benefit. This results in lower outlays by the federal retirement fund and lower contributions by federal agencies to the fund. *This provision is estimated to save $451 million over ten years.*

420 Transfers. This provision would extend the ability of employers to transfer excess pension assets to fund retiree health benefits and expand the provision to allow transfers for retiree life insurance. As under current law, a transfer is permitted only if after the transfer, the pension fund still has assets equal to more than 120% of the liabilities of the fund. The pension fund is protected by the funding level requirement (which also narrows the number of companies that can use the provision). Also, the transferred amounts would be restricted to retiree benefits, so it will help to enable employers to maintain retiree coverage. *This provision is estimated to raise $354 million over ten years.*

Roll-Your-Own Cigarette Machines. Under current law, there is a disparity in the tax treatment of cigarette tobacco and pipe tobacco. This creates a loophole for in-store roll-your-own cigarette machines to avoid the standard cigarette tax by improperly labeling a product as pipe tobacco. The proposal would expand the definition of a tobacco manufacturer to include businesses operating a roll-your-own machine. As such, the machine's owner would be responsible for federal excise taxes on the tobacco products manufactured using his or her machine. *This provision is estimated to raise $94 million over ten years.*

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