CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

June 29, 2012

Honorable David Dreier
Chairman
Committee on Rules
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has reviewed the conference report for H.R. 4348, MAP-21, as posted on the Web site of the House Committee on Rules on June 28, 2012.

CBO estimates that enacting H.R. 4348 would reduce budget deficits over the 2012-2022 period by $16.3 billion. That figure does not include effects that may be counted for budget enforcement purposes in the House of Representatives. Specifically, the House-passed budget resolution calls for counting transfers from the general fund of the Treasury to the Highway Trust Fund as new spending. [1]

Major provisions of the legislation that would affect the budget (see Table 1) would:

- Reauthorize, through fiscal year 2014, the surface transportation programs administered by the Federal-Aid Highway Administration, the Federal Transit Administration, the National Highway Traffic Safety Administration, the Federal Motor Carrier Safety Administration, and certain programs administered by the Pipelines and Hazardous Materials Administration;

- Establish the Gulf Coast Restoration Trust Fund and require that 80 percent of any administrative and civil penalties paid to the federal government under the Clean Water Act in connection with the April 2010 explosion at the Deepwater Horizon facility in the Gulf of Mexico be deposited into that trust fund and made available to be spent;

1. Transfers totaling $18.8 billion from the general fund of the Treasury to the Highway Trust Fund would be authorized in section 40251 of the legislation. Pursuant to section 508 of H. Con. Res. 112, the Concurrent Resolution on the Budget—Fiscal Year 2013, such transfers are considered to be new budget authority and outlays for budget enforcement purposes in the House of Representatives. CBO estimates that the transfers would increase the balances attributed to the Highway Trust Fund and allow prompt liquidation of current and future obligations of the fund; however, those transfers would not increase direct spending or affect budget deficits.

- Change the interest rate that pension plans use to measure their liabilities, increase pension premium rates for both variable and flat rate premiums paid to the Pension Benefit Guaranty Corporation, and establish a cap on the variable rate premium;

- Provide payments to certain states by reauthorizing the Secure Rural Schools and Payments In Lieu of Taxes programs;

- Allow eligible federal employees to enter into a phased retirement, during which they continue to work part time while drawing a partial salary and a partial civil service retirement annuity;

- Reduce the additional Medicaid payments to Louisiana that it will receive based on prior declarations of federal disasters;

- Repeal a requirement that the Department of Transportation reimburse the difference in cost between shipping foreign food aid on a U.S.-flag ship and a foreign-flag ship;

- Reduce mandatory payments to states that have completed certain reclamation projects on land formerly used for mining;

- Reauthorize the National Flood Insurance Program through 2017 and increase premiums for some subsidized policies;

- Retain an interest rate of 3.4 percent on all new subsidized student loans until June 30, 2013, and change the interest the federal government pays on behalf of some borrowers who are attending school; and

- Raise additional revenue by increasing the ability of businesses with excess assets in their pension funds to use them for retiree health and life insurance benefits, and by defining businesses that make roll-your-own machines available for consumer use as tobacco manufacturers.

CBO estimates that implementing the legislation also would lead to discretionary spending of $95.9 billion over the 2013-2017 period (see Table 2); such spending would be subject to future appropriation actions. Of that amount, the spending on transportation programs would total $94.3 billion, which reflects estimated obligation levels for 2013 and 2014 that are approximately equal to the obligation levels for 2012, adjusted for inflation.

In addition, CBO estimates that implementing provisions of the conference report for the remainder of 2012, 2013, and 2014 would result in an end-of-year balance in 2014 of approximately $4 billion in the highway account of the Highway Trust Fund and about

$1 billion in the transit account of the Highway Trust Fund. Table 3 provides a projection of future spending, revenues, and remaining balances in the Highway Trust Fund over the next 10 years.

I hope this information is useful to you. If you need additional details, we will be pleased to provide them. The staff contact is Sarah Puro, who can be reached at 226-2860.

Sincerely,

Douglas W. Elmendorf

Douglas W. Elmendorf
Director

Enclosures

cc: Honorable Louise Slaughter
Ranking Minority Member

Honorable John L. Mica
Chairman
Committee on Transportation and Infrastructure

Honorable Nick J. Rahall II
Ranking Member

Honorable Dave Camp
Chairman
Committee on Ways and Means

Honorable Sander M. Levin
Ranking Member

Honorable Barbara Boxer
Chairman
Senate Committee on Environment
and Public Works

Honorable James M. Inhofe
Ranking Member

Honorable Tim Johnson
Chairman
Senate Committee on Banking, Housing,
and Urban Affairs

Honorable Richard C. Shelby
Ranking Member

Honorable John D. Rockefeller IV
Chairman
Senate Committee on Commerce, Science
and Transportation

Honorable Kay Bailey Hutchison
Ranking Member

Honorable Max Baucus
Chairman
Committee on Finance

Honorable Orrin Hatch
Ranking Member

TABLE 1. ESTIMATE OF THE EFFECTS ON DIRECT SPENDING AND REVENUES OF THE CONFERENCE REPORT FOR H.R. 4348, MAP-21, AS POSTED ON THE WEB SITE OF THE HOUSE COMMITTEE ON RULES ON JUNE 28, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
CHANGES IN DIRECT SPENDING													
Transportation Contract Authority													
Budget Authority [a]	0	243	800	800	800	800	800	800	800	800	800	3,443	7,443
Estimated Outlays [b]	0	0	0	0	0	0	0	0	0	0	0	0	0
Gulf Coast Restoration													
Estimated Budget Authority	0	0	45	127	184	339	366	399	372	328	302	695	2,462
Estimated Outlays	0	0	2	14	47	105	175	260	322	351	352	168	1,628
Pension Provisions													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-220	-350	-1,065	-1,885	-1,685	-1,555	-1,255	-1,115	-1,055	-1,040	-5,205	-11,225
Secure Rural Schools													
Estimated Budget Authority	288	0	0	0	0	0	0	0	0	0	0	288	288
Estimated Outlays	0	253	35	0	0	0	0	0	0	0	0	288	288
Payment in Lieu of Taxes													
Estimated Budget Authority	0	398	0	0	0	0	0	0	0	0	0	398	398
Estimated Outlays	0	398	0	0	0	0	0	0	0	0	0	398	398
Phased Retirement													
Estimated Budget Authority	0	-9	-26	-45	-54	-53	-52	-50	-49	-46	-42	-187	-427
Estimated Outlays	0	-9	-26	-45	-54	-53	-52	-50	-49	-46	-42	-187	-427
Change in Medicaid FMAP Increase													
Estimated Budget Authority	0	-510	-160	0	0	0	0	0	0	0	0	-670	-670
Estimated Outlays	0	-510	-160	0	0	0	0	0	0	0	0	-670	-670
Repeal Incremental Ocean Freight Differential													
Estimated Budget Authority	0	-108	-108	-108	-108	-108	-108	-108	-108	-108	-108	-540	-1,080
Estimated Outlays	0	-108	-108	-108	-108	-108	-108	-108	-108	-108	-108	-540	-1,080
Limitation on Abandoned Mine Reclamation Fund Payments													
Estimated Budget Authority	0	-139	-131	-47	-46	-46	-98	-99	-47	-47	-49	-409	-749
Estimated Outlays	0	-55	-94	-86	-73	-55	-67	-83	-73	-63	-53	-363	-702
National Flood Insurance Program [c]													
Estimated Budget Authority	0	-5	-30	-70	105	0	0	0	0	0	0	0	0
Estimated Outlays	0	-5	-30	-70	105	0	0	0	0	0	0	0	0
One-Year Extension of Subsidized Student Loan Interest Rates													
Estimated Budget Authority	4,285	2,595	*	*	*	*	*	*	*	*	*	6,880	6,880
Estimated Outlays	2,480	3,505	*	*	*	*	*	*	*	*	*	5,985	5,985

Continued

TABLE 1. Continued.

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
CHANGES IN DIRECT SPENDING (Continued)													
Eliminate Interest Subsidy for Certain Borrowers													
Estimated Budget Authority	0	-15	-85	-110	-130	-145	-170	-195	-200	-210	-210	-485	-1,470
Estimated Outlays	0	-10	-55	-90	-105	-120	-140	-160	-175	-180	-185	-380	-1,220
Changes in Direct Spending Excluding Intragovernmental General Fund Transfers [d]													
Estimated Budget Authority	**4,573**	**2,450**	**305**	**547**	**751**	**787**	**738**	**747**	**768**	**717**	**693**	**9,413**	**13,075**
Estimated Outlays	**2,480**	**3,239**	**-786**	**-1,450**	**-2,073**	**-1,916**	**-1,747**	**-1,396**	**-1,198**	**-1,101**	**-1,076**	**-506**	**-7,025**
Intragovernmental Transfers from General Fund to Highway Trust Fund [d]													
Estimated Budget Authority	0	6,200	12,600	0	0	0	0	0	0	0	0	18,800	18,800
Estimated Outlays	0	6,200	12,600	0	0	0	0	0	0	0	0	18,800	18,800
Changes in Direct Spending, Including Intragovernmental General Fund Transfers [d]													
Estimated Budget Authority	**4,573**	**8,650**	**12,905**	**547**	**751**	**787**	**738**	**747**	**768**	**717**	**693**	**28,213**	**31,875**
Estimated Outlays	**2,480**	**9,439**	**11,814**	**-1,450**	**-2,073**	**-1,916**	**-1,747**	**-1,396**	**-1,198**	**-1,101**	**-1,076**	**18,294**	**11,775**
CHANGES IN REVENUES													
Pension Provisions	595	2,391	4,501	5,044	3,540	1,446	74	-882	-2,303	-3,046	-2,616	17,517	8,744
Transfer of Excess Pension Assets and Allow Section 420 to Apply to Life Insurance Benefits	0	0	20	41	42	43	44	45	47	48	24	145	354
Phased Retirement	0	1	2	3	4	4	4	3	3	1	-1	14	24
Expand Definition of Tobacco Manufacturer to Include Roll-Your-Own-Cigarette Machines	2	12	13	11	10	9	8	7	7	7	7	57	94
Increased Civil Penalties for Lenders	0	1	1	1	1	1	1	1	1	1	1	5	10
Total Changes	**597**	**2,405**	**4,537**	**5,100**	**3,597**	**1,503**	**131**	**-826**	**-2,245**	**-2,989**	**-2,585**	**17,738**	**9,226**
On-budget Revenues	597	2,291	4,324	4,888	3,425	1,422	141	-726	-1,998	-2,712	-2,355	16,946	9,299
Off-budget Revenues	0	114	213	212	172	81	-10	-100	-247	-277	-230	792	-73

Continued

TABLE 1. Continued.

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES—EXCLUDING INTRAGOVERNMENTAL TRANSFERS FROM THE GENERAL FUND TO THE HIGHWAY TRUST FUND													
Impact on Deficit [d]	1,883	834	-5,323	-6,550	-5,670	-3,419	-1,878	-570	1,047	1,888	1,509	-18,244	-16,251
On-budget Deficit Change	1,883	948	-5,110	-6,338	-5,498	-3,338	-1,888	-670	800	1,611	1,279	-17,452	-16,324
Off-budget Deficit Change	0	-114	-213	-212	-172	-81	10	100	247	277	230	-792	73
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES—INCLUDING INTRAGOVERNMENTAL TRANSFERS FROM THE GENERAL FUND TO THE HIGHWAY TRUST FUND FOR BUDGET ENFORCEMENT PURPOSES IN THE U.S. HOUSE OF REPRESENTATIVES													
Impact on Deficit [d]	1,883	7,034	7,277	-6,550	-5,670	-3,419	-1,878	-570	1,047	1,888	1,509	556	2,549
On-budget Deficit Change	1,883	7,148	7,490	-6,338	-5,498	-3,338	-1,888	-670	800	1,611	1,279	1,348	2,476
Off-budget Deficit Change	0	-114	-213	-212	-172	-81	10	100	247	277	230	-792	73
Memorandum:													
Increased Net Income to the National Flood Insurance Program [c]	0	-5	-30	-70	-145	-250	-320	-380	-430	-490	-555	-500	-2,675

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Notes: FMAP = Federal Medical Assistance Percentages; * = between -$500,000 and $0.

Amounts may not sum to totals because of rounding.

a. H.R. 4348 would provide $12.4 billion in contract authority (a mandatory form of budget authority) for the last quarter of fiscal year 2012, $50.1 billion for fiscal year 2013, and $50.9 billion for fiscal year 2014, CBO estimates. Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act for constructing its baseline for future contract authority for transportation programs, CBO assumes that the contract authority for years after 2014 would be equal to the amount provided for 2014, the last year of the authorization.

b. CBO expects that most of the outlays from contract authority (a mandatory form of budget authority) for surface transportation programs will continue to be controlled by obligation limitations enacted in future appropriation acts. Those expenditures are displayed in Table 2.

c. The proposed amendment would raise premiums for certain subsidized flood insurance policies, increasing net income to the National Flood Insurance Program by $2.7 billion. However, because many policies would continue to be subsidized and the program would continue to face significant interest costs from its prior and future borrowing, CBO expects that additional receipts collected under this legislation would be spent to cover future program shortfalls, resulting in no net effect on the budget over the 11-year period.

d. Pursuant to section 508 of H. Con. Res. 112, the Concurrent Resolution on the Budget—Fiscal Year 2013, general fund transfers to the Highway Trust Fund are considered to be new budget authority and outlays for budget enforcement purposes in the House of Representatives. CBO estimates that such transfers would increase the balances attributed to the Highway Trust Fund; however, those transfers would not increase direct spending or affect budget deficits.

TABLE 2. CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER THE CONFERENCE REPORT FOR H.R. 4348, MAP-21, AS POSTED ON THE RULES COMMITTEE WEB SITE ON JUNE 28, 2012

	By Fiscal Year, in Millions of Dollars					
	2013	2014	2015	2016	2017	2013-2017
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Spending from the Highway Trust Fund						
Estimated Obligation Limitation [a]	49,409	50,103	0	0	0	99,512
Estimated Outlays	12,318	31,794	27,318	12,134	6,780	90,344
Other Authorized Transportation Programs						
Estimated Authorization level	2,697	2,198	0	0	0	4,895
Estimated Outlays	379	1,011	1,168	817	618	3,993
Non-Transportation Programs [b]						
Estimated Authorization Level	438	437	437	437	437	2,186
Estimated Outlays	80	245	337	431	435	1,528
Total Changes						
Estimated Budgetary Resources	52,544	52,738	437	437	437	106,593
Estimated Outlays	12,777	33,050	28,823	13,382	7,833	95,865
Memorandum:						
Reduction in Offsetting Receipts from Lower Employer Contributions [c]	0	2	3	3	3	11

Note: Components may not sum to totals because of rounding.

a. Estimated discretionary outlays reflect use of funds from the contract authority provided by the legislation under the obligation limitations specified or estimated by CBO. (Outlays stemming from any additional contract authority that would be provided for years after 2014 would be attributable to future legislation.) Under current law, CBO estimates that spending from the Highway Trust Fund would be about $48 billion in 2012. (See Table 3 for estimates of total outlays from the trust fund in 2013 and subsequent years.)

b. H.R. 4348 would authorize the appropriation of $440 million a year over the 2013-2017 period for a national flood mapping program and flood mitigation assistance. The legislation also would lower future federal employer retirement contributions. Those contributions are contingent on future appropriation actions.

c. Employer contributions are intragovernmental transactions that do not affect the deficit; positive numbers indicate a decrease in receipts.

TABLE 3. SUMMARY OF CASH FLOWS FOR ACCOUNTS IN THE HIGHWAY TRUST FUND UNDER H.R. 4348, MAP-21, AS POSTED ON THE WEB SITE OF THE HOUSE COMMITTEE ON RULES ON JUNE 28, 2012

	By Fiscal Year, in Billions of Dollars										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Highway Account											
Start-of-Year Balance	14	8	4	4	c	c	c	c	c	c	c
Revenues and Interest	33	33	33	34	35	36	36	36	36	37	37
Intragovernmental Transfers	2	6	10	0	0	0	0	0	0	0	0
Outlays [a, b]	42	43	44	44	44	45	45	46	46	47	47
End-of-Year Balance	8	4	4	c	c	c	c	c	c	c	c
Transit Account											
Start-of-Year Balance	7	5	5	1	c	c	c	c	c	c	c
Revenues and Interest	5	5	5	5	5	5	5	5	5	5	5
Intragovernmental Transfers	0	0	2	0	0	0	0	0	0	0	0
Outlays [a, b]	7	8	8	9	10	10	10	9	9	10	10
End-of-Year Balance	5	5	1	c	c	c	c	c	c	c	c
Memorandum											
Cumulative Shortfall [c]											
Highway Account Shortfall	n.a.	n.a.	n.a.	-6	-15	-24	-33	-42	-52	-62	-72
Transit Account Shortfall	n.a.	n.a.	n.a.	-3	-7	-12	-16	-20	-24	-29	-33

Notes: n.a. = not applicable.

Contract authority is a mandatory form of budget authority typically provided in authorization acts.

Obligation limitations are limitations on the obligation of contract authority typically provided in appropriation acts.

a. After 2014, the estimated outlays assume obligations will continue at the 2014 level, adjusted for inflation. The total outlays shown reflect prior and future obligations.

b. Outlays include amounts "flexed" or transferred between the highway and transit accounts. CBO estimates that amount would total about $1 billion annually.

c. CBO projects that, under provisions of the Conference Report for H.R. 4348, the highway account and the transit account of the Highway Trust Fund would be exhausted in fiscal year 2015. Under current law, the Highway Trust Fund cannot incur negative balances. However, following rules in the Deficit Control Act of 1985, CBO's baseline for highway spending assumes that obligations presented to the Highway Trust Fund will be paid in full. The memorandum to this table illustrates the cumulative shortfall of fund balances, assuming spending levels that would be authorized by the Conference Report for H.R. 4348.