104TH CONGRESS, 2d Session | HOUSE OF REPRESENTATIVES | REPT. 104–499, Part 1

TRUTH IN BUDGETING ACT

MARCH 27, 1996.—Ordered to be printed

Mr. SHUSTER, from the Committee on Transportation and Infrastructure, submitted the following

R E P O R T

[To accompany H.R. 842]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 842) to provide off-budget treatment for the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Truth in Budgeting Act".

SEC. 2. BUDGETARY TREATMENT OF HIGHWAY TRUST FUND, AIRPORT AND AIRWAY TRUST FUND, INLAND WATERWAYS TRUST FUND, AND HARBOR MAINTENANCE TRUST FUND.

Notwithstanding any other provision of law, the receipts and disbursements of the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund—

(1) shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of—

(A) the budget of the United States Government submitted by the President,

(B) the congressional budget (including allocations of budget authority and outlays provided therein), or

(C) the Balanced Budget and Emergency Deficit Control Act of 1985; and

(2) shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government.

SEC. 3. SAFEGUARDS AGAINST DEFICIT SPENDING OUT OF AIRPORT AND AIRWAY TRUST FUND.

(a) IN GENERAL.—Chapter 471 of title 49, United States Code, is amended—

(1) by redesignating section 47131 as section 47132; and

(2) by inserting after section 47130 the following new section:

29–006

"§ 47131. Safeguards against deficit spending

"(a) ESTIMATES OF UNFUNDED AVIATION AUTHORIZATIONS AND NET AVIATION RECEIPTS.—Not later than March 31 of each year, the Secretary, in consultation with the Secretary of the Treasury, shall estimate—

"(1) the amount which would (but for this section) be the unfunded aviation authorizations at the close of the first fiscal year that begins after that March 31, and

"(2) the net aviation receipts at the close of such fiscal year.

"(b) PROCEDURE IF EXCESS UNFUNDED AVIATION AUTHORIZATIONS.—If the Secretary determines for any fiscal year that the amount described in subsection (a)(1) exceeds the amount described in subsection (a)(2), the Secretary shall determine the amount of such excess.

"(c) ADJUSTMENT OF AUTHORIZATIONS IF UNFUNDED AUTHORIZATIONS EXCEED RECEIPTS.—

"(1) DETERMINATION OF PERCENTAGE.—If the Secretary determines that there is an excess referred to in subsection (b) for a fiscal year, the Secretary shall determine the percentage which—

"(A) such excess, is of

"(B) the total of the amounts authorized to be appropriated from the Airport and Airway Trust Fund for the next fiscal year.

"(2) ADJUSTMENT OF AUTHORIZATIONS.—If the Secretary determines a percentage under paragraph (1), each amount authorized to be appropriated from the Airport and Airway Trust Fund for the next fiscal year shall be reduced by such percentage.

"(d) AVAILABILITY OF AMOUNTS PREVIOUSLY WITHHELD.—

"(1) ADJUSTMENT OF AUTHORIZATIONS.—If, after a reduction has been made under subsection (c)(2), the Secretary determines that the amount described in subsection (a)(1) does not exceed the amount described in subsection (a)(2) or that the excess referred to in subsection (b) is less than the amount previously determined, each amount authorized to be appropriated that was reduced under subsection (c)(2) shall be increased, by an equal percentage, to the extent the Secretary determines that it may be so increased without causing the amount described in subsection (a)(1) to exceed the amount described in subsection (a)(2) (but not by more than the amount of the reduction).

"(2) APPORTIONMENT.—The Secretary shall apportion amounts made available for apportionment by paragraph (1).

"(3) PERIOD OF AVAILABILITY.—Any funds apportioned under paragraph (2) shall remain available for the period for which they would be available if such apportionment took effect with the fiscal year in which they are apportioned under paragraph (2).

"(e) REPORTS.—Any estimate under subsection (a) and any determination under subsection (b), (c), or (d) shall be reported by the Secretary to Congress.

"(f) DEFINITIONS.—For purposes of this section, the following definitions apply:

"(1) NET AVIATION RECEIPTS.—The term 'net aviation receipts' means, with respect to any period, the excess of—

"(A) the receipts (including interest) of the Airport and Airway Trust Fund during such period, over

"(B) the amounts to be transferred during such period from the Airport and Airway Trust Fund under section 9502(d) of the Internal Revenue Code of 1986 (other than paragraph (1) thereof).

"(2) UNFUNDED AVIATION AUTHORIZATIONS.—The term 'unfunded aviation authorization' means, at any time, the excess (if any) of—

"(A) the total amount authorized to be appropriated from the Airport and Airway Trust Fund which has not been appropriated, over

"(B) the amount available in the Airport and Airway Trust Fund at such time to make such appropriation (after all other unliquidated obligations at such time which are payable from the Airport and Airway Trust Fund have been liquidated).".

(b) CONFORMING AMENDMENT.—The analysis for chapter 471 of title 49, United States Code, is amended by striking

"47131. Annual report."

and inserting the following:

"47131. Safeguards against deficit spending.".
"47132. Annual report.".

SEC. 4. SAFEGUARDS AGAINST DEFICIT SPENDING OUT OF THE INLAND WATERWAYS TRUST FUND AND HARBOR MAINTENANCE TRUST FUND.

(a) ESTIMATES OF UNFUNDED INLAND WATERWAYS AUTHORIZATIONS AND NET INLAND WATERWAYS RECEIPTS.—Not later than March 31 of each year, the Secretary of the Army, in consultation with the Secretary of the Treasury, shall estimate—

(1) the amount which would (but for this section) be the unfunded inland waterways authorizations and unfunded harbor maintenance authorizations at the close of the first fiscal year that begins after that March 31; and

(2) the net inland waterways receipts and net harbor maintenance receipts at the close of such fiscal year.

(b) PROCEDURE IF EXCESS UNFUNDED INLAND WATERWAYS AUTHORIZATIONS.—If the Secretary of the Army determines with respect to the Inland Waterways Trust Fund or the Harbor Maintenance Trust Fund for any fiscal year that the amount described in subsection (a)(1) exceeds the amount described in subsection (a)(2), the Secretary shall determine the amount of such excess.

(c) ADJUSTMENT OF AUTHORIZATIONS IF UNFUNDED AUTHORIZATIONS EXCEED RECEIPTS.—

(1) DETERMINATION OF PERCENTAGE.—If the Secretary of the Army determines that there is an excess referred to in subsection (b) for a fiscal year, the Secretary of the Army shall determine the percentage which—

(A) such excess, is of

(B) the total of the amounts authorized to be appropriated from the Inland Waterways Trust Fund or the Harbor Maintenance Trust Fund, as the case may be, for the next fiscal year.

(2) ADJUSTMENT OF AUTHORIZATIONS.—If the Secretary of the Army determines a percentage under paragraph (1), each amount authorized to be appropriated from the Trust Fund for the next fiscal year shall be reduced by such percentage.

(d) AVAILABILITY OF AMOUNTS PREVIOUSLY WITHHELD.—If, after an adjustment has been made under subsection (c)(2), the Secretary of the Army determines with respect to the Inland Waterways Trust Fund or the Harbor Maintenance Trust Fund that the amount described in subsection (a)(1) does not exceed the amount described in subsection (a)(2) or that the excess referred to in subsection (b) with respect to the Trust Fund is less than the amount previously determined, each amount authorized to be appropriated that was reduced under subsection (c)(2) with respect to the Trust Fund shall be increased, by an equal percentage, to the extent the Secretary of the Army determines that it may be so increased without causing the amount described in subsection (a)(1) to exceed with respect to the Trust Fund the amount described in subsection (a)(2) (but not by more than the amount of the reduction).

(e) REPORTS.—Any estimate under subsection (a) and any determination under subsection (b), (c), or (d) shall be reported by the Secretary of the Army to Congress.

(f) DEFINITIONS.—For purposes of this section the following definitions apply:

(1) AIRPORT AND AIRWAY TRUST FUND.—The term "Airport and Airway Trust Fund" means the Airport and Airway Trust Fund established by section 9502 of the Internal Revenue Code of 1986.

(2) HARBOR MAINTENANCE TRUST FUND.—The term "Harbor Maintenance Trust Fund" means the Harbor Maintenance Trust Fund established by section 9505 of the Internal Revenue Code of 1986.

(3) HIGHWAY TRUST FUND.—The term "Highway Trust Fund" means the Highway Trust Fund established by section 9503 of the Internal Revenue Code of 1986.

(4) INLAND WATERWAYS TRUST FUND.—The term "Inland Waterways Trust Fund" means the Inland Waterways Trust Fund established by section 9506 of the Internal Revenue Code of 1986.

(5) NET HARBOR MAINTENANCE RECEIPTS.—The term "net harbor maintenance receipts" means, with respect to any period, the receipts (including interest) of the Harbor Maintenance Trust Fund during such period.

(6) NET INLAND WATERWAYS RECEIPTS.—The term "net inland waterways receipts" means, with respect to any period, the receipts (including interest) of the Inland Waterways Trust Fund during such period.

(7) UNFUNDED INLAND WATERWAYS AUTHORIZATIONS.—The term "unfunded inland waterways authorizations" means, at any time, the excess (if any) of—

(A) the total amount authorized to be appropriated from the Inland Waterways Trust Fund which has not been appropriated, over

(B) the amount available in the Inland Waterways Trust Fund at such time to make such appropriations.

(8) UNFUNDED HARBOR MAINTENANCE AUTHORIZATIONS.—The term "unfunded harbor maintenance authorizations" means, at any time, the excess (if any) of—

(A) the total amount authorized to be appropriated from the Harbor Maintenance Trust Fund which has not been appropriated, over

(B) the amount available in the Harbor Maintenance Trust Fund at such time to make such appropriations.

SEC. 5. APPLICABILITY.

This Act (including the amendments made by this Act) shall apply to fiscal years beginning after September 30, 1995.

PURPOSE

The purpose of this legislation is to fulfill a promise made by Congress when it levied user fees on transportation and dedicated these fees to transportation purposes: to use the proceeds for their intended purposes and not to mask the size of the deficit.

The legislation achieves this purpose by taking off budget four self-financed trust funds: the Highway Trust Fund, the Airport and Airways Trust Fund, the Harbor Maintenance Trust Fund, and the Inland Waterways Trust Fund. Under the current budget process, spending out of these four trust funds is held down to mask the size of the general fund deficit. Currently, the accumulated cash balances from all four trust funds is over $30 billion.

Taking the transportation trust funds off budget will restore faith with the taxpayers. The transportation taxes that go into the trust funds were levied on the express promise that they would be used only for transportation purposes. Under the law, amounts in these trust funds cannot be used for anything else. In addition, the law provides that interest on amounts in the trust funds will be credited to and become part of the trust funds. While these funds cannot be used for other purposes, if spending is held down under the unified budget, the general fund deficit will appear to be smaller. H.R. 842 treats these trust funds from a budget standpoint as they were intended to be treated when the taxes were enacted.

BACKGROUND AND NEED

OVERVIEW OF TRANSPORTATION TRUST FUNDS

(I) The transportation trust funds are unique in the Federal budget and do not belong in the unified budget

Four trust funds within the Federal budget stand out as unique in their purpose and operation. These four trust funds are the Highway Trust Fund, Airport and Airways Trust Fund, Harbor Maintenance Trust Fund, and Inland Waterways Trust Fund. Each of the four transportation trust funds has the following characteristics:

(1) Wholly self-financed by the users. Receipts to the funds come from user fees and not from general fund transfers. The transportation trust funds meet the requirements of section 401(d) of the Congressional Budget Act that allows contract authority spending because the funds are 90 percent or more financed through fees.

(2) Not an entitlement program. Unlike many of the other major trust funds, spending from the transportation trust funds are subject to annual spending levels provided in periodic authorization and appropriation bills.

(3) Self-supporting, operating on a pay-as-you-go basis.

(4) Deficit proof, with expenditures limited to receipts. The Highway Trust Fund has a built in self-regulatory mechanism. The Secretary of Treasury makes a quarterly determination whether the fund is in balance, and spending levels are automatically reduced if there is a shortfall. H.R. 842 provides a similar mechanism for the other three trust funds.

(5) Invests in long-range construction programs, which benefit from lower costs due to certainty in funding.

Of the hundreds of trust funds across the Federal budget, only these four have these characteristics. Most of the other trust funds are not 100 percent user fee financed and many have significant general fund contributions.

While there are some 170 trust funds in the entire Federal budget, most are purely administrative in nature. Just 19 trust funds are funded through excise taxes, and only the four transportation funds are used to provide capital expenditures on infrastructure.

Before the unified budget was adopted in 1969, the Highway Trust Fund was accounted for separately. The Highway Trust Fund was included in the unified budget in 1969 in order to help mask the cost of the Vietnam War. While recommending that trust funds be included as part of the unified budget, the President's Commission on Budget Concepts stated: "This recommendation fully recognizes that individual trust funds must be accounted for separately, and their activities must be reported on in a way which allows the identity and integrity of trust fund transactions and balances to be preserved." Unfortunately this recommendation has never been adopted in practice.

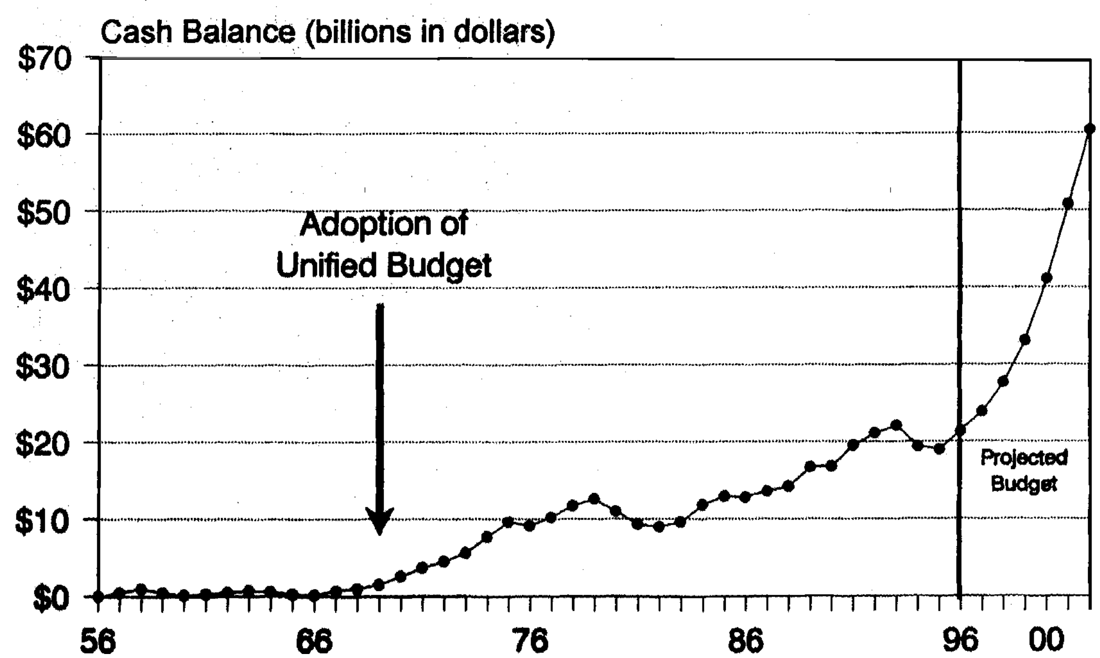
The theory of a unified budget is that it provides a total macroeconomic picture of the activities of the Federal Government and its total deficit (and, thus, total borrowing from the private sector). Removing the trust funds from the unified budget does not preclude publication of trust fund transactions. For example, while the Social Security Trust Fund is technically off-budget, its transactions are commonly included in presentations of the Federal budget.

Inclusion of the trust funds in the unified budget implies that trust fund revenues can be used for purposes other than those to which the funds are dedicated by law. On this point the law is clear: amounts in the transportation trust funds may only be used for specified transportation purposes. In addition, the public is misled as to the actual size of the general fund deficit when trust fund surpluses are used to mask the size of the deficit.

It should come as no surprise that before 1969, the cash balance in the Highway Trust Fund was less than $1 billion. As can be seen from the following graph, Trust Fund balances did not explode until the Trust Fund became part of the unified budget.

HIGHWAY TRUST FUND CASH BALANCE

(Highway and Transit Accounts)



(II) Theory and operation of the transportation trust funds

In establishing the Highway, Aviation, Inland Waterways, and Harbor Maintenance trust funds, Congress had specific policy reasons for choosing a user fee (or excise tax) funding mechanism and a trust fund. Prior to the establishment of the trust funds, transportation infrastructure programs were funded out of general revenues. Everyone paid for the capital improvements, regardless of use.

With the creation of the trust funds, a set of user charges was levied that drew a relationship between those benefitting from the Government expenditure and the tax paid. On the other side of the coin, with the creation of a trust fund, the payers of the user fee or excise tax had some assurance that proceeds would finance a program from which they benefit directly.

Because of the direct connection between the tax imposed and the benefit derived from improvement in transportation infrastructure, there is strong support for these user fees. A recent poll found that 72 percent of Americans believe the motor fuel user fee is the fairest way to finance highway improvements. When asked about balances in the transportation trust funds, 74 percent of Americans believe trust funds should only be used for transportation improvements. Conversely, only 20 percent believe trust funds should be used to make the deficit seem smaller.

In creating these trust funds, the Government undertook a fiduciary responsibility. While it was intended that all but a prudent reserve would be spent, the law stipulated that any unspent balances be invested in the safest security possible, US Treasury notes, the same type of security used for the Social Security Trust Fund.

Just as with the Social Security trust fund, total balance is a real commitment regardless of the amount of interest earned. Since its inception in 1937, approximately one-half of the current balance in the Social Security Old Age and Survivors Fund is attributable to accumulated interest payments. No one would suggest that these interest payments are not payable to recipients. The fact is that if the Government were not holding on to the money, taxpayers would be earning and keeping the same interest in their own bank accounts. The same logic applies to the transportation trust funds.

The following is a brief description of each of the four transportation trust funds:

HIGHWAY TRUST FUND

The Highway Trust Fund was created by Congress in the Federal-aid Highway Act of 1956. The fund was designed to finance the construction of the National Interstate and Defense Highway System. The Highway Trust Fund was established as a way to provide funding for capital construction and this remains its principal focus. In 1982, the fund was split into two parts, the Highway Account, which finances the Federal-aid highway program, and the Transit Account, which funds new and rehabilitated transit infrastructure. Eighty percent of the revenues into the Trust Fund are deposited into the Highway Account, and 20 percent into the Transit Account.

The Highway Trust Fund receives revenues from the imposition of excise taxes on motor fuels, and sales taxes on tires, trucks, buses and trailers as well as truck use taxes. Approximately 90 percent of Highway Trust Fund revenue is attributable to motor fuel excise tax revenues on gasoline and diesel fuel. The current Federal tax is 18.3 cents on gasoline and 24.3 cents on diesel fuel. Of each of these taxes, 4.3 cents is deposited into the general fund of the Treasury for deficit reduction. The remainder, 14 cents on gasoline and 20 cents on diesel fuel, is deposited into the Highway Trust Fund.

In its first 12 years of existence, the Highway Trust Fund balance remained at $1 billion or less. With the advent of the unified budget in 1969, the Highway Trust Fund balance grew rapidly in the 1970's. The current balance in the Highway Trust Fund totals $19 billion. The Highway Account balance is over $9.4 billion, and the balance in the Transit Account is nearly $9.6 billion. Current projections estimate a balance of nearly $21.4 billion at the end of 1996, $11.3 billion in the Highway Account and $10.1 billion in the Transit Account.

The balances in the Highway and Transit Accounts exist, in large part, because funds are not obligated for highway and transit projects. The primary reason for the large balance in the Highway Account is Congressionally-established limitations on yearly obligations from the Trust Fund. These yearly limitations constrain the amount of Federal funds authorized to be spent from the Trust Fund that may actually be spent each year. Funds that are not available to the States accumulate in the Trust Fund, contributing to the growth in the balances.

Income to the Trust Fund comes from tax revenues and interest that is earned on Trust Fund balances. Since 1956, tax revenue income to the Highway Trust Fund has generally increased. Tax revenues were $1.48 billion in 1957, the first year of the trust fund, $3.9 billion in 1966, $5.4 billion in 1976, $13.4 billion in 1986 (Highway and Transit Accounts) and are estimated to be $24.5 billion in 1996 (Highway and Transit Accounts). By contrast, interest income has varied, at $3 million in 1957, $8 million in 1966, $587 million in 1976, $1.33 billion in 1986 (Highway and Transit Accounts) and is estimated to be $1.31 billion in 1996 (Highway and Transit Accounts). The authorizing legislation passed by Congress in 1956 clearly makes no distinction between revenues credited from user receipts and revenues credited as interest income in terms of the amounts made available from trust fund balances for highway and transit transportation projects and programs.

AVIATION TRUST FUND

The Airport and Airway Trust Fund (also known as the Aviation Trust Fund) was established by the Airport and Airway Revenue Act of 1970. The Aviation Trust Fund is financed by a 10 percent tax on airline passenger ticket sales, a 6.25 percent cargo waybill tax, a $6 international departure tax, a 15 cent per gallon tax on aviation fuel and a 17.5 cent per gallon tax on aviation jet fuel. The proceeds of the Aviation Trust Fund are used for Federal Aviation Administration (FAA) airport improvement grants, facilities and equipment costs, research and development, and part of the FAA's operation and maintenance expenses.

The Aviation Trust Fund's uncommitted balance has ranged from $3.7 billion to $7.7 billion over the past 10 years. For fiscal year 1995, income totaled $6 billion and the cash balance was $11 billion.

The Aviation Trust Fund was originally developed to support aviation infrastructure needs. FAA's Operations account was to be funded with primarily general fund monies. In an attempt to assure that the Trust Fund monies would support capital projects, the authorization language included a penalty clause for many years. If funding for the capital accounts was reduced below authorized levels, the penalty clause reduced the amount of trust fund monies supporting the Operations account. While the penalty clause was in place, the Aviation Trust Fund balances grew because FAA's capital accounts were underfunded.

In 1990, the Appropriations and Transportation Committees agreed to remove the penalty clause if the FAA capital accounts, specifically the Airport Improvement Program (AIP), were funded at specific levels. For 3 years, the Aviation Trust Fund supported 75 percent of FAA's budget.

In 1993, the AIP program was cut and more trust fund monies were spent on FAA Operations. In addition, the National Commission to Ensure a Strong Competitive Airline Industry recommended "reducing the FAA budget allocation from the trust fund from 75 percent to 70 percent in recognition of the overpayment by airline users, and the public benefits of aviation". The authorizing language was changed so that the Aviation Trust Fund would support 70 percent or less of FAA's budget, depending on the level of funding for capital accounts.

Currently, the Aviation Trust Fund balance is declining because Congress has not reinstated the aviation taxes which expired on December 31, 1995. We believe the taxes should be reinstated as soon as possible.

INLAND WATERWAYS TRUST FUND

The Inland Waterways Trust Fund, begun in 1978, is funded by excise taxes on the fuel used in commercial waterway transportation by vessels on specified inland or intracoastal waterways. The fund covers 50 percent of the construction and rehabilitation expenditures for navigation projects on these waterways. Fiscal year 1995 income was $100 million and the fund balance was $300 million.

HARBOR MAINTENANCE TRUST FUND

Established in 1986, the Harbor Maintenance Trust Fund is financed by: 1) ad valorem user fees imposed on commercial cargo loaded and unloaded by specified U.S. ports open to public navigation and 2) through a portion of Saint Lawrence Seaway tolls. The fund pays for Corps of Engineers maintenance of harbors and pays for operations and maintenance costs of the Saint Lawrence Seaway. Receipts for fiscal year 1995 were $700 million and the fund balance is $600 million.

Although established as user fees, the United States Court of International Trade ruled on October 25, 1995, in the case of *Unit-*

ed States Shoe Corp. v. *United States*, that the Harbor Maintenance fees were unconstitutional export taxes that violated Article I, section 9, clause 5 of the Constitution. Part of the rationale of the court was that there is no mechanism to ensure that the fees collected will be used only or primarily for the cost of port maintenance associated with the shipping that is taxed. Taking the Harbor Maintenance Trust Fund off budget would ensure that the fees are in fact spent for costs of port maintenance.

(III) Controls on trust fund spending

Congress and the Executive branch retain *all* their current controls on trust fund programs once they go off budget. Authorizing committees will still provide contract authority, the level of which is closely scrutinized. Also, both the Appropriations and authorizing committees will still be able to set obligation limitations to manage the programs. Similarly, the tax writing committees retain all their current power to set and adjust revenues into the trust funds.

The only change will be that there will no longer be an incentive to use trust fund surpluses to mask the operating deficit. This will improve the overall budget process by removing the current budget bias toward operating programs at the expense of the capital investments made by these trust funds.

Transportation spending would *not* be a new entitlement if the trust funds are taken out of the general fund budget. Transportation spending would continue to be subject to a variety of controls:

(1) These programs are subject to adequate budget scrutiny. The budget authority for these programs, usually in the form of contract authority in authorization bills, must be approved by the House and Senate and signed by the President. Noncontract authority programs must receive annual appropriations. In addition annual obligation ceilings are provided—and, we anticipate, will continue to be provided—in transportation appropriations bills. Thus, the Congress will be able to decide on the appropriate level of funding for these programs during consideration of these bills.

(2) In determining the appropriate level of funding for these programs, Congress will be able to consider a number of factors: how much the trust fund can support, whether trust fund spending should be reduced in order to reduce the total amount of money the Government must borrow, the need to control inflation, etc.

However, taking the trust funds off budget will prevent trust fund programs from being pitted against other programs which must compete for funding from the deficit-ridden general fund.

(3) And finally, these trust funds are protected by a fail-safe balanced budget provision which assures the trust funds cannot spend more than they take in. The Secretaries of Treasury and Transportation review trust fund spending *annually*. If they determine that the trust funds cannot pay the bills when they come due, then they are required by law to reduce spending proportionately to assure the trust funds remain solvent.

(IV) Trust funds and the deficit

The transportation trust funds have not contributed one nickel to the Federal deficit. Because of balanced budget-type controls, these trust funds are deficit-proof and in fact have run substantial surpluses over the years. Their estimated combined cash balance at the end of Fiscal Year 1995 is more than $31 billion.

H.R. 842, the Truth in Budgeting Act, does not add to the deficit. According to the CBO cost estimate, reprinted in this report:

> By itself, taking programs off-budget does not change total spending of the Federal Government and does not affect spending or revenue estimates for Congressional scorekeeping purposes.

Taking the trust funds off-budget does not alter the current authorization and appropriations process. Congress will still have to approve every new dollar of trust fund spending. Again, quoting CBO:

> The likelihood and amount of a potential increase are very uncertain because they would depend upon future actions by both authorizing and appropriations committees.

Taking the trust funds off-budget simply changes the budget scoring rules so that cuts in trust fund spending can no longer be used to mask the size of the deficit.

Because infrastructure spending spurs economic growth and jobs, taking the trust funds off-budget will make it easier to balance the budget over the next 7 years. It is this sort of long-range vision that is lacking in the current budget debate.

INFRASTRUCTURE NEEDS ARE ENORMOUS

Without question, the documented needs to repair this Nation's crumbling infrastructure far exceed current levels of trust fund spending.

Airport needs

For airport capacity, various airport organizations estimate needs at $10 billion per year, of which $6 billion is eligible for Federal assistance. The FAA agrees that airports need $10 billion annually to maintain and improve US airports.

In recent years, the Airport Improvement Program (AIP), which is funded 100 percent by the Airport Trust Fund, has contributed to less than one third of this annual airport need. AIP funding for 1996 was $1.45 billion, a 25 percent cut from the $1.9 billion level in 1993.

Aviation traffic has grown significantly in the past and will continue to grow. The number of annual passenger enplanements have grown from 169 million in 1970, to 529 million in 1995. FAA expects annual passenger enplanements to grow another 47 percent, reaching 775 million by the year 2005.

If investment needs are not met, aviation passengers will experience increasing delays. 23 airports experience more than 20,000 hours of delay per year. The busiest airports experience much more. For instance, delays at Chicago O'Hare Airport have exceeded 100 thousand hours every year for the past 5 years.

If the needed capacity enhancements are not made, FAA predicts that by the year 2002, 33 airports will experience more than 20,000 hours of delay. These delays are very costly. FAA estimates that delaying a commercial aircraft can cost as much as $1,600 per hour. In 1991, this was approximately $32 million for each airport exceeding 20,000 hours of delay.

Highway and transit needs

According to the Department of Transportation's 1995 Status report, nearly 25 percent of the Nation's bridges are structurally deficient or functionally obsolete. Over 30 percent of the Interstate pavement is in poor or mediocre condition. The FHWA estimates that in 1994 the *backlog in unmet needs* for the Nation's highways and bridges total *$315 billion*. This is a 13 percent increase from the prior 1993 Needs report.

DOT estimates that we would have to invest, *each year* over the next 20 years, $54.8 billion, for highway capital improvements just to maintain 1993 conditions and performance on the Nation's highways and bridges. In 1994, the *shortfall in highway and bridge capital expenditures approached thirty percent*. If a higher quality of service was desired for highways and bridges, we would need to spend $74 billion in capital investment each year.

DOT further estimates that for transit systems, one-third of rail maintenance yards, stations and bridges, and almost one half of transit buildings are in poor or fair condition. In addition, rolling stock continues to need immediate replacement. The average fleet age for all classes of bus and paratransit vehicles is greater than the useful life of the vehicles.

Transit needs over the next 20 years approach $8 billion a year just to maintain the systems. In order to make quality improvements, investments would approach $13 billion a year.

Beyond the physical condition of the highway, bridge and transit systems, congestion relief still alludes us. Congestion brings unnecessary delay as well as excess fuel consumption. In urban areas, the extent and duration of congestion has increased steadily since 1983 while the severity of congestion appears unimproved. In 50 urban areas studied, this "hidden tax of congestion" costs $45 billion each year.

TAKING THE TRANSPORTATION TRUST FUNDS OFF-BUDGET WILL SPUR PRODUCTIVITY GAINS, ECONOMIC GROWTH, AND JOBS

Efficient movement of goods, services and people is central to our Nation's social and economic well-being. Transportation is a cornerstone of this Nation's economy: America spends nearly $1 trillion annually on all modes of transportation and transportation services, representing 17 percent of the gross domestic product.

Preliminary results of a new study sponsored by the Federal Highway Administration (FHWA) show a strong link between the investment in the national highway network and the United States' economic performance. This study found:

(1) On average, between 1950 and 1989, the highway network has contributed to 25 percent of the annual productivity growth in the United States.

(2) At the national level, every dollar invested in non-local roads from 1950 to 1989 resulted in an average annual production cost savings of 24 cents for United States industries.

(3) Federal investments in a national highway system produce the highest rates of return.

One of the key arguments of those in favor of a balanced budget is that lower interest costs will improve private sector productivity. Instead of focusing blindly on the bottom line, this FHWA research points out that improved productivity also depends on how we spend Federal dollars. Infrastructure investment is one of the few Federal programs that actually helps the economy grow.

Another recently concluded FHWA study also found that for every $1 billion of highway investment, the Federal-aid highway program supports 42,100 total full-time equivalent jobs. The study found these are good, high-wage jobs. In the current climate of economic uncertainty and corporate layoffs, increased transportation spending is a bipartisan plan to create real, private sector jobs.

There is a wealth of data supporting the link between infrastructure spending and the health of the economy and businesses:

Seventy-eight percent of the value of all freight is transported by truck over the roads. Over 75 percent of all the cities and towns in America rely exclusively on trucks for freight delivery.

Highway and transit infrastructure investments are critical to promoting productivity-led economic growth. Efficient highways are central to "lean production" and "just-in-time" manufacturing, where manufacturers reduce costs by minimizing inventories through the use of smaller, more frequent deliveries. By 1995, more than one-half of the Nation's manufacturers will use just-in-time delivery.

For example, one domestic auto manufacturer has 32 plants operating on just-in-time inventory systems. Every working day 2,500 trucks travel over 1 million miles delivering components and parts to those 32 plants just at the point in the production process where they are needed. In fact, a modern plant using just-in-time inventory would keep only *3–4 hours of many critical parts* on hand and rely on the next truckload to keep the line moving.

Congestion takes a terrible toll on the Nation's economy. In major urban areas it is estimated to cost $40 billion yearly. For example, United Parcel Service has 70,000 drivers on the road daily. If each driver encounters traffic delays of just 5 minutes per day, it costs United Parcel Service more than *$40 million per year*. Highway and transit infrastructure investments are critical to addressing this urban congestion problem.

Highways and transit are needed to access suburban development and employment. The bulk of all new jobs created in the United States since 1970 have been in the suburbs and the majority of the working poor must drive to work in order to meet non-traditional work shifts or access dispersed job locations. Workplace decentralization will only continue as the information superhighway, telecommunications, and computer technologies ripple through society. Any effort to empower all Americans—urban, suburban and rural—must ensure that they have adequate mobility to access to fast-growing areas.

Federal investment in highways and transit are primarily made in the national systems that link all parts of the country together and link the U.S. to the rest of the world. These investments *add value*—educing travel time and improving safety benefit the entire economy because it allows every business and individual to operate more efficiently. This is the proper role of government—making transportation improvements that would not otherwise be made but are critical to our economy.

For example, Federal investment in the National Highway System is targeted and high-return: gas tax revenues generated by highway users are specifically targeted to the Nation's most important highways. The National Highway System is made up of only 4 percent of the Nation's roads, yet will carry 40 percent of our traffic, over 70 percent of the Nation's trucking commerce and 80 percent of all tourism. Using dedicated taxes to improve the most important highways in America is exactly the type of targeted, high-return investment that our Nation needs.

Highway and transit improvements will also help facilitate international trade. The North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) treaties have made international trade an even larger component of our economy. By linking our transportation systems with those of Canada and Mexico—our first and third largest trading partners—and strengthening links with major ports, airports and other intermodal facilities, transportation improvements maximize national productivity and our competitiveness in this increasingly global economy. Even before the passage of NAFTA, trucks carried 80 percent of the freight between the U.S. and Mexico and 60 percent between the U.S. and Canada.

Highways and transit are also central to growth in travel and tourism, which constitute America's third-largest industry and contribute $350 billion to the economy. Efficient transportation systems are essential to promoting and furthering tourism.

SECTION-BY-SECTION ANALYSIS

SECTION 1. SHORT TITLE

Provides that the Act may be cited as the "Truth in Budgeting Act."

SECTION 2. BUDGETARY TREATMENT OF HIGHWAY, AIRPORT AND AIRWAY, INLAND WATERWAYS, AND HARBOR MAINTENANCE TRUST FUNDS.

This language tracks the language used to take the Social Security Trust Funds off-budget in Section 13301 of the Budget Enforcement Act of 1990. Specifically, the language provides that all receipts and disbursements of the Highway, Aviation, Inland Waterways, and Harbor Maintenance Trust Funds shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of: 1) the budget of the United States Government as submitted by the President, or 2) the congressional budget (including allocations of budget authority and outlays provided therein). Additionally, the receipts and disbursements are exempted from any general budget limitations imposed by statute.

The effect of this language is to remove the trust funds from: 1) calculations of the on-budget deficit, 2) congressional budget resolutions, including spending allocations provided to committees, and 3) spending points of order under the Budget Act.

SECTION 3. SAFEGUARDS AGAINST DEFICIT SPENDING OUT OF AIRPORT AND AIRWAY TRUST FUND

This section duplicates for the Aviation Trust Fund the automatic spending safeguards provided by the Byrd Rule in the Highway Trust Fund. Specifically, if the Secretary of Transportation, in consultation with the Secretary of the Treasury, determines that fund balances and expected receipts do not cover unfunded aviation authorizations, those authorizations are reduced on a pro-rata basis to cover the shortfall.

While spending safeguards are already built into this trust fund, this provision provides the absolute assurance of a Byrd Rule type process to ensure that the trust fund is deficit proof and operates on a pay as you go basis. (Note: the Byrd Rule as it applies to the Highway Trust Fund is named after former Senator Harry Byrd of Virginia and is not the same Byrd Rule in the Senate relating to extraneous matters in reconciliation legislation.)

SECTION 4. SAFEGUARDS AGAINST DEFICIT SPENDING OUT OF THE INLAND WATERWAYS TRUST FUND AND HARBOR MAINTENANCE TRUST FUND.

This section mirrors Section 3, except that it applies to the Inland Waterways and Harbor Maintenance Trust Funds and has the Secretary of the Army consult with the Secretary of the Treasury in making the necessary determinations.

SECTION 5. APPLICABILITY

Provides that this Act becomes effective beginning with the 1996 Fiscal Year. The existence of on-budget trust fund surpluses only reinforces the public's belief that they are not getting an honest return for the taxes they pay to Washington. We can restore the contract we have with taxpayers, and help restore their faith in government, by ensuring the integrity of these self-financed programs.

HEARINGS AND LEGISLATIVE HISTORY

H.R. 842, The Truth in Budgeting Act, was introduced on February 7, 1995. It currently has 224 cosponsors, including a majority of Republicans, a majority of Freshman members and 91 Democratic members. On March 10, 1995, the Subcommittee on Surface Transportation held a hearing on H.R. 842 and heard testimony from Members of Congress and outside witnesses.

On May 3, 1995, the Full Committee ordered reported the bill on a unanimous voice vote, with a quorum present. One amendment of a technical nature was offered by Chairman Shuster and adopted by voice vote. There were no Committee roll call votes.

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 2(1)(3)(A) of rule XI of the Rules of the House, the Committee's oversight findings and recommendations are reflected in this report.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that the enactment of H.R. 842 will have no significant inflationary impact on prices and costs in the operation of the national economy.

COSTS OF THE LEGISLATION

Clause 7 of rule XIII of the Rules of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such a cost estimate is included in this report.

COMPLIANCE WITH HOUSE RULE XI

1. With respect to the requirement of clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, the Committee references the report of the Congressional Budget Office included below.

2. With respect to the requirement of clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee on Transportation and Infrastructure has received no such findings or recommendations from the Committee on Government reform and Oversight on the subject of H.R. 842.

3. With respect to the requirement of clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 842 from the Director of the Congressional Budget Office.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 20, 1996.

Hon. BUD SHUSTER,
Chairman, Committee on Transportation and Infrastructure, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 842, a bill to provide off-budget treatment for the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund, as ordered reported by the House Committee on Transportation and Infrastructure on May 3, 1995. Enacting H.R. 842 would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill.

This bill would take the Highway, Airport and Airway, Inland Waterways, and Harbor Maintenance Trust Fund off-budget and would exempt trust fund spending from the discretionary spending caps, pay-as-you-go procedures, and Congressional budget controls (including the Budget Resolution, 602 allocations, and reconciliation instructions).

By itself, taking programs off-budget does not change total spending of the federal government and does not affect spending or revenue estimates for Congressional scorekeeping purposes. However, because this provision exempts trust fund spending from the budgetary control and enforcement procedures that apply to most other programs, transportation spending could increase significantly. The likelihood and amount of a potential increase are very uncertain because they would depend upon future actions by both authorizing and appropriations committees. Competing factors would come into play. On the one hand, the Congress would be able to spend more money because the current budgetary controls would no longer apply. On the other hand, the Congress plans on balancing the overall federal budget by 2002, and spending for these programs would still count in determining whether the budget is balanced.

At the beginning of fiscal year 1996, the amount of unobligated contract authority for transportation programs subject to an obligation limitation was $10.3 billion. In the years after 1996, the balance would grow under CBO's baseline assumptions. The Congress could decide to make these balances available for obligation. In addition, it could choose to increase funding for the Federal Aviation Administration in order to modernize the air traffic control system. Even if the Congress limits trust fund spending to the amounts of income to the funds, spending could increase substantially over the 1995 level.

In addition, the bill would establish rules similar to the Highway Trust Fund's Byrd rule for the Airport and Airway, Harbor Maintenance, and Inland Water Trust Funds. The Byrd rule tries to preserve the solvency of the highway account of the Highway Trust Fund by comparing unexpended budget authority to the fund's cash balance and two years of future revenue. If the unexpended budget authority is greater than the cash balance and revenue, the budget authority is reduced. The rules established in H.R. 842 compare authorizations of appropriations that have not been appropriated—rather than budget authority—to the fund's unobligated cash balance and one year of revenue. Under these rules, if trust fund resources are insufficient to cover authorizations of appropriations then such authorizations would be reduced. The rule is ineffective in preserving a trust fund's solvency because, unlike the special rules for authorizations for the Highway Trust Fund, an authorization of appropriations is not budget authority but only a stamp of approval for a program to receive budget authority in the future.

H.R. 842 contains no intergovernmental or private sector mandates as defined in Public Law 104–4 and would impose no direct costs on state, local, or tribal governments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Clare Doherty.

Sincerely,

JUNE E. O'NEILL, *Director.*

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

CHAPTER 471 OF TITLE 49, UNITED STATES CODE

CHAPTER 471—AIRPORT DEVELOPMENT

SUBCHAPTER I—AIRPORT IMPROVEMENT

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SUBCHAPTER I—AIRPORT IMPROVEMENT

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§47131. Safeguards against deficit spending

(a) ESTIMATES OF UNFUNDED AVIATION AUTHORIZATIONS AND NET AVIATION RECEIPTS.—Not later than March 31 of each year, the Secretary, in consultation with the Secretary of the Treasury, shall estimate—

(1) the amount which would (but for this section) be the unfunded aviation authorizations at the close of the first fiscal year that begins after that March 31, and

(2) the net aviation receipts at the close of such fiscal year.

(b) PROCEDURE IF EXCESS UNFUNDED AVIATION AUTHORIZATIONS.—If the Secretary determines for any fiscal year that the amount described in subsection (a)(1) exceeds the amount described in subsection (a)(2), the Secretary shall determine the amount of such excess.

(c) ADJUSTMENT OF AUTHORIZATIONS IF UNFUNDED AUTHORIZATIONS EXCEED RECEIPTS.—

(1) DETERMINATION OF PERCENTAGE.—If the Secretary determines that there is an excess referred to in subsection (b) for a fiscal year, the Secretary shall determine the percentage which—

(A) such excess, is of

(B) the total of the amounts authorized to be appropriated from the Airport and Airway Trust Fund for the next fiscal year.

(2) ADJUSTMENT OF AUTHORIZATIONS.—If the Secretary determines a percentage under paragraph (1), each amount authorized to be appropriated from the Airport and Airway Trust Fund for the next fiscal year shall be reduced by such percentage.

(d) AVAILABILITY OF AMOUNTS PREVIOUSLY WITHHELD.—

(1) ADJUSTMENT OF AUTHORIZATIONS.—If, after a reduction has been made under subsection (c)(2), the Secretary determines

that the amount described in subsection (a)(1) does not exceed the amount described in subsection (a)(2) or that the excess referred to in subsection (b) is less than the amount previously determined, each amount authorized to be appropriated that was reduced under subsection (c)(2) shall be increased, by an equal percentage, to the extent the Secretary determines that it may be so increased without causing the amount described in subsection (a)(1) to exceed the amount described in subsection (a)(2) (but not by more than the amount of the reduction).

(2) APPORTIONMENT.—The Secretary shall apportion amounts made available for apportionment by paragraph (1).

(3) PERIOD OF AVAILABILITY.—Any funds apportioned under paragraph (2) shall remain available for the period for which they would be available if such apportionment took effect with the fiscal year in which they are apportioned under paragraph (2).

(e) REPORTS.—Any estimate under subsection (a) and any determination under subsection (b), (c), or (d) shall be reported by the Secretary to Congress.

(f) DEFINITIONS.—For purposes of this section, the following definitions apply:

(1) NET AVIATION RECEIPTS.—The term "net aviation receipts" means, with respect to any period, the excess of—

(A) the receipts (including interest) of the Airport and Airway Trust Fund during such period, over

(B) the amounts to be transferred during such period from the Airport and Airway Trust Fund under section 9502(d) of the Internal Revenue Code of 1986 (other than paragraph (1) thereof).

(2) UNFUNDED AVIATION AUTHORIZATIONS.—The term "unfunded aviation authorization" means, at any time, the excess (if any) of—

(A) the total amount authorized to be appropriated from the Airport and Airway Trust Fund which has not been appropriated, over

(B) the amount available in the Airport and Airway Trust Fund at such time to make such appropriation (after all other unliquidated obligations at such time which are payable from the Airport and Airway Trust Fund have been liquidated).

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