

Support Baucus-Grassley Plan to Preserve Federal Highway Investment Commitments

The 2005 highway and transit reauthorization legislation, SAFETEA-LU, guaranteed at least \$223 billion for federal highway program investments through FY 2009. This investment level was predicated on a forecast of anticipated revenues collected for the Highway Trust Fund's Highway Account over the life of SAFETEA-LU.

The Bush Administration and the Congressional Budget Office now forecast that revenues for the Highway Account will fall short of meeting these commitments by between \$4.3 and \$5.0 billion during FY 2009, the last year of SAFETEA-LU authorizations. As a result of this shortfall, Highway Account revenues would only be able to support a \$27.3 billion highway program in FY 2009, which is nearly \$16 billion—or 36 percent—below the amount guaranteed by SAFETEA-LU. The table below further outlines this situation.

Fiscal Year	Guaranteed Highway Investment	Projected Highway Account Balance	Potential Highway Investment Cut	Net Highway Investment
2008	\$42.2 billion	\$1.3 billion	\$0	\$42.2 billion
2009	\$43.2 billion	-\$4.3 billion	-\$15.9 billion	\$27.3 billion

While some have suggested cutting previously authorized highway investments to the states in FY 2008 and beyond is now necessary—this option is not acceptable. Given the huge transportation needs faced by all states, and realizing that state DOTs have developed long term transportation investment plans based on anticipated SAFETEA-LU guaranteed funding levels, cutting federal investment levels should not be considered. Senate Finance Committee Chairman Baucus (D-Mont.) and Ranking Member Grassley (R-Iowa) have developed a plan to ensure sufficient Highway Account revenues are available to fulfill the commitments made in SAFETEA-LU. The Grassley Baucus proposal would:

- Credit the Highway Trust Fund for emergency expenditures paid out of the fund since 1998. Federal expenditures receiving an emergency designation are not scored as new spending. As such, it is inappropriate to single out the Highway Trust Fund to bear the cost of emergency highway and bridge repairs following disasters. This initiative would recapture approximately \$3.2 billion in foregone Highway Account revenues.
- Restructure current fuel tax exemptions/refunds provided to state and local governments to be General Fund supported activities, instead of costs borne by the Highway Account. The Bush Administration supported this concept in its FY 2006 budget proposal and it passed the Senate twice during the SAFETEA-LU debate. This reform would provide an estimated \$1 billion in revenue to the Highway Account through FY 2009.
- Implement additional mechanisms to further crack down on fuel tax evasion. Curtailing these illegal activities would generate around \$1 billion in additional Highway Account revenues through FY 2009.
- Transfer revenues generated from the “gas guzzler tax” from the General Fund to the Highway Trust Fund. Appropriately restructuring this highway user fee to support roadway improvements would provide the Highway Account with \$300 million through FY 2009.

These rational and appropriate policy improvements are consistent with the user fee principle of financing the federal surface transportation program and would prevent a devastating 36 percent cut in FY 2009 federal highway investment.

Protect Your State's Promised Federal Highway Funds!