BUDGET COMMITTEE

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For Immediate Release **July 30, 2009**

BUDGET PERSPECTIVE:
A Fact Sheet on the Raid on Taxpayers by the Highway Trust Fund

Today the Senate will consider a bill that the House passed yesterday – H.R. 3357 – which, among other things, transfers $7 billion from the general fund (GF) of the Treasury to the Highway Trust Fund (HTF). Since that sounds very technical, another way to say it is that the bill further violates the principle of having a user-funded highway system – highway users (not all taxpayers) are supposed to be the ones who pay for highway spending. Instead, less than a year ago Congress enacted a transfer of $8 billion from taxpayers' general fund to the HTF. Now Congress wants to steal another $7 billion from taxpayers to spend on highways this year, and that's just for starters.

What's the "Big" Problem?

The problem is the same as it ever was: the HTF is supposed to be a "user-pays" system where all gas tax receipts are spent only on highways, and highway spending is funded only by gas tax receipts (and a few other excise taxes). Except that, because of Congressional action, the highway program has been spending more money than it has been collecting, which means that the HTF is likely to run short of operating cash in the next two months. When that happens, the Department of Transportation (DOT) has announced it will reimburse states on a weekly, rather than a daily basis. States would be held harmless from any financial effect since DOT will also pay states interest, calculated as if they had received reimbursements daily.

Never ones to let a "crisis" go to waste, proponents of ever more highway spending have seized on this to reach into the pockets of current taxpayers, their children, and their grandchildren to cover the overspending on highways that is already in the pipeline and to make even more overspending possible in the future.

- The Obama Administration claimed it needs $5-7 billion to continue to reimburse states on a daily basis through September 30, 2009. Because spending will continue to exceed gas receipts after September 30, the Administration suggests it would need a total of $20 billion more over the next 18 months. While the Administration protests that it does not want to increase the deficit and claims it wants to offset the transfer from the GF, it has still not (and is not expected to) submitted any proposals to Congress for offsetting such transfers and has not threatened to veto any GF-transfer bill that comes out of Congress without an offset.

- The House first was going to pass a bill transferring $3 billion from the GF, then it was going to be $5 billion, and now it is $7 billion. When you're spending someone else's money (the taxpayers' or our children's), it is easy to "supersize" and ask for extra portions.

The Senate has a companion bill (S. 1498), which won't be considered today, to transfer $27 billion from the GF to the HTF. The Chairman of the Environment and Public Works Committee claims that this amount is "figured out and paid for," (*Congressional Record*, July 29, 2009, page S8227) despite the fact that there is not one penny of offset in S. 1498 (or in H.R. 3357). By "paid for," she appears to mean that the bill steals as much from the GF as the HTF might need over the next 18 months.

How Did We Get Here?

Proponents of stealing money from the GF for highways say that high gas prices and a depressed economy are the reasons why the HTF has insufficient funds. Not true. Informed budgeteers know that the HTF has insufficient funds because it has been spending more than it has been taking in since 2003.

In a total user-pays system, how can anyone expect to spend more when income does not keep up with spending? Congress faked itself into believing it had a way to prevent that from happening by including a provision (revenue aligned budget authority – RABA) in highway bills since 1998. If the HTF receives more gas receipts than estimated, then the RABA adjustment would increase spending above the level originally provided in the bill. If fewer receipts come in than estimated, then the RABA adjustment would reduce spending below the level originally provided in the bill. Congress happily spent more when there was an upward RABA adjustment, but when gas receipts were less than had been anticipated, Congress passed a law to override the required downward adjustment in spending. Had Congress honored the downward adjustment, then the HTF would not be running out of money.

What's the Budgetary Impact?

Remember the concern of current "crisis" – DOT will not be able to get checks out the door as fast as states are used to over the last 6 weeks of this fiscal year. By design, H.R. 3357 will increase outlays in 2009 compared to what would be possible under current law, so the increased outlays scored against the bill **means the bill violates section 302(f) of the Budget Act and has a point of order against it that can only be waived with 60 votes**.

Compared to living within a system where highway spending cannot exceed the amount paid in by highway users, this bill will increase the federal deficit by $7 billion over time. As a result, the Treasury will have to go out and borrow $7 billion more than it otherwise would, and the national debt will be $7 billion higher, meaning the burden on our children will be even greater by $7 billion. And before the end of 2009, we will inevitably be right back here again talking about the remaining $20 billion or so that some wanted to grab from the GF this go-round. And we'll be back every year after that as well, as long as Congress insists on spending more on highways than is deposited in the Highway Trust Fund.