

REVIEW OF THE FINANCIAL CONDITION
OF THE HIGHWAY TRUST FUND

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SUMMARY

This report reviews estimates of future Highway Trust Fund revenues and their implications for the financial well-being of the trust fund. The Congress is now considering a five-year highway program proposed by the Administration with authorizations reaching about \$10.5 billion in 1986. A similar bill, S. 1024, has been proposed by the Senate Public Works Committee and a one-year (1982) bill, H. R. 3210, has passed the House Public Works Committee. None of the bills calls for an increase in user fees. Under each of the proposals, highway funding would increase, but not as fast as inflation, perhaps creating pressures for higher authorization levels in the future. If authorizations increased with inflation, but with no corresponding change in user fees, the trust fund would be without funds by 1985.

Although outlays would continue to exceed revenues, thus decreasing the cash balance in the trust fund, an increase in user fees could be delayed until 1984 under most scenarios. Optimistic assumptions about trust fund revenues would delay the need for an increase until 1986. Under pessimistic assumptions, such as those implied by the current Treasury estimate of tax receipts, the Department of Energy projections of gasoline use, and the interest rate projections by the Office of Management and Budget, the trust fund would be on the verge of bankruptcy in 1986, even though a small cash balance would remain. Any unanticipated worsening in conditions, such as a drop in revenues due to an international fuel shortage, could force a tax increase at an inopportune time. To avoid such an eventuality, the Congress may wish to consider a two- or three-year highway bill with a change in user fees in 1984. This would permit maximum use of the highway cost allocation study that DOT is scheduled to complete next year.

The one-year House bill would require no change in the life of the trust fund, now scheduled to expire in 1984, two years after the last year of full authorization. Under both the proposed Administration bill and the Senate Public Works bill, the fund would have to be extended at least three years beyond the last year of full authorization--that is, until 1989. An additional year would be required if Interstate Highway System authorizations are continued beyond the rest of the program. An increase in user fees could, of course, reduce the required extension.

I. CURRENT CONDITION OF THE HIGHWAY TRUST FUND

At the end of fiscal year 1981, the Highway Trust Fund is expected to have a cash balance of \$10.2 billion. Offsetting these assets are \$20.2 billion in authorizations already made available to the states. These funds represent potential liabilities that will have to be paid from the trust fund over the next few years. The Congress can delay this spending only through use of a ceiling on obligations, such as has been used in recent years. The \$20.2 billion in unpaid authorizations minus the \$10.2 billion in cash leaves the trust fund with unfunded liabilities of \$10 billion, equal to about one and one-quarter year's worth of revenues. While the level of unfunded liabilities has increased in recent years, the trust fund is not in immediate financial danger since, on average, highway authorizations spend out over two or three years.

There is no generally accepted rule as to a safe level of unfunded liabilities. An amount equal to two years of expected revenues probably represents an upper limit for two reasons: first, the chance of an interruption in oil supply means future trust fund revenues could be substantially less than predicted and, second, future highway programs are likely to spend out faster than in the past. In recent years, highway spending has shifted from major new construction to less complex projects such as resurfacing and reconstruction. These projects require less time for planning and engineering work and can be completed in less time than construction of new highways, so that federal funds are spent more quickly. These factors increase the required safety margin beyond that needed merely to account for errors in estimating receipts and outlays.

In the long run, if outlays exceed receipts, the trust fund will become insolvent. The Highway Trust Fund currently expires in 1984, providing two years of revenues beyond the last authorization. This change from the traditional one-year overlap was made in 1978 by the most recent highway bill. The number of years of overlap sets a ceiling on the level of unfunded liabilities, since otherwise the trust fund would violate the Byrd Amendment. (This is an amendment to the act establishing the Highway Trust Fund which states that, over the life of the trust fund, there must be adequate revenues to finance authorizations from the trust fund.)

Different criteria are possible as measures of financial health. Unfunded liabilities equal to between one and one-half years of revenues appear to represent a reasonably safe margin. In the past, the Office of Management and Budget (OMB) has proposed the more conservative

approach of reducing unfunded liabilities to zero by increasing user fees. (In the case of the Airport and Airways Trust Fund, the cash balance has exceeded total liabilities for some time--though not because of an attempt to maintain its financial health.)

Many observers (highway interest groups, such as the American Automobile Association and the Highway Users Federation for Safety and Mobility, for example), focus on the outstanding cash balance as a measure of the financial health of the trust fund. This interest may, in part, be because the cash balance has grown in recent years and is currently near its all-time high. The cash balance by itself, however, is not a good measure of financial health; rather, it must be seen in relation to the size of the highway program and the expected trust fund receipts. Cash on hand represents the accumulated amount by which user fees (including interest) have exceeded outlays from the fund. It also represents the amount by which the trust fund has helped reduce the federal deficit. A reduction in the cash balance means that highway spending must be financed by future, as well as current, highway user fees, and that the federal budget deficit will increase over what it would be otherwise.

If outlays from the trust fund remained about \$9 billion a year, the \$10 billion cash balance could be reduced. This situation would change, however, if expected receipts dropped dramatically, as during an oil embargo. The amount by which the cash balance could be safely decreased is a matter of some debate. With no increase in user fees, the cash balance will continue to decline as it has since 1979.

Several highway interest groups have proposed an indefinite or very long (to the year 2000, for example) extension in the life of the trust fund on the grounds that such an extension is needed in order to reduce the cash balance to \$2 billion or less. Such a long extension is being sought because it would provide greater program security in that the existence of the trust fund would not have to be debated every two or four years. But this type of security would probably not be materially enhanced through long-term continuation of the existing tax structure, whose cornerstone is a flat cents-per-gallon tax on motor fuel. The purchasing power of the revenues from this tax will continue to erode for many years. Thus, the highway program could end up locked into a tax structure that guaranteed a declining program level in constant dollars. Also, a permanent trust fund would provide considerable (perhaps even unprecedented) power to the authorizing committees since their actions would not be subject to periodic review by either

the appropriating or taxing committees. In order to satisfy the Byrd Amendment, the trust fund would need to be extended only enough to "cover" the expected level of unfunded liabilities. In most cases, reducing the cash balance to zero would require extending the fund about three years beyond the last year of full authorization plus enough to cover any long-term authorization for the Interstate Highway System.

II. STATUS OF THE TRUST FUND UNDER THE TREASURY FORECAST OF REVENUES

The latest Treasury forecast of Highway Trust Fund revenues was completed in February 1981. (The next revision is scheduled for sometime over the summer.) This forecast shows a 2.4 percent-per-year decline in gasoline use between 1981 and 1986 with almost half the decline occurring in the first year. A 7 percent-per-year growth in diesel fuel use compensates in part for this decline so that total motor fuel use drops by a little more than 1 percent a year. In contrast, receipts from the excise taxes on new truck sales and truck parts are sensitive to inflation and are expected to grow by about 9 to 10 percent a year. The Treasury forecast is sensitive to overall projections for the economy and to past cycles in the purchase of new trucks. Thus, the rate of change in receipts between now and 1986 is quite variable with a relative peak in revenues in 1983 and a trough in 1985. In addition, revenues are greatly reduced by the tax exemption provided alcohol fuel used in gasohol--equal to a 40 cent-per-gallon subsidy. The Treasury forecast uses a Department of Energy projection that alcohol fuel production will grow by 40 percent a year, reducing trust fund revenues by over \$600 million in 1986. The relative strengths and weaknesses of these assumptions are explored in Appendix A and summarized in the next section.

Table 1 shows the status of the Highway Trust Fund under the Treasury revenue forecast and the proposed Administration highway program. The Administration program calls for authorizations from the Highway Trust Fund to grow slowly from about \$8.8 billion in 1982 to \$10.5 billion in 1986. By 1986, under this forecast, the trust fund will be highly vulnerable to unexpected revenue shortfalls or unanticipated increases in the rate of outlays, since the cash balance will be below \$2 billion and dropping fast. In addition, as unfunded liabilities exceed two years' worth of receipts, the Congress will be under pressure to increase highway taxes to pay for past programs. Any significant departure from projections could force the Congress to take emergency action.

TABLE 1. ADMINISTRATION HIGHWAY PROGRAM UNDER TREASURY ESTIMATE OF TRUST FUND REVENUES (In millions of dollars)

Fiscal Year	Authori- zations <u>a/</u>	Outlays <u>a/</u>	Trust Fund Receipts <u>b/</u>	Cash Balance Start of Year	Change	Cash Balance End of Year	Unpaid Authorizations End of Year	Unfunded Liabilities End of Year	Unfunded Liabilities Measured in Years of Receipts
1981	9,340	8,760	7,940	11,000	(820)	10,180	20,170	9,990	1.25
1982	8,820	8,720	7,990	10,180	(730)	9,450	20,270	10,820	1.34
1983	9,390	8,730	8,090	9,450	(640)	8,810	20,930	12,120	1.56
1984	9,760	9,280	7,750	8,810	(1,530)	7,280	21,410	14,130	1.92
1985	9,870	9,630	7,370	7,280	(2,260)	5,020	21,650	16,630	2.29
1986	10,490	10,370	7,260	5,020	(3,110)	1,910	21,770	19,860	2.74

a/ Estimated by CBO.

b/ Includes interest as estimated by CBO.

Secretary of Transportation Lewis has said that DOT projects a cash balance of \$1.4 billion in 1986, apparently based on a lower rate of interest than projected by CBO. Use of the even lower interest rates projected by OMB would reduce the cash balance to about \$1 billion at the end of 1986. Overall, however, the different interest rate assumptions make little difference in the condition of the trust fund or the timing of a change in user fees.

In several ways, the situation in Table 1 is a "worst case" in which projected revenues are at the low end of the range of uncertainty, barring unforeseen curtailment of fuel supplies. The following section discusses a number of reasonable changes in this forecast.

III. LOW AND HIGH ESTIMATES OF HIGHWAY TRUST FUND REVENUES

Appendix A discusses the major differences between the Treasury's estimate of Highway Trust Fund revenues and a working estimate prepared as part of FHWA's highway cost allocation study. Appendix A also presents high and low estimates of fuel use developed by CBO. CBO's low estimate of future motor fuel consumption is close to that of the Treasury Department but higher than FHWA's estimate, largely because FHWA assumes a drop in vehicle miles per vehicle for cars, small trucks, and combination trucks. On a net basis, after adjusting for receipts lost due to the tax exemption for gasohol, the Treasury and FHWA forecasts are quite similar. Treasury uses a Department of Energy estimate of gasohol consumption that is, for example, over four times as high as FHWA's in 1985. This difference is more than enough to offset Treasury's higher forecast of total fuel use. In terms of receipts from the 10 percent excise tax on new truck sales, FHWA's working estimate is substantially higher than Treasury's because of its more optimistic forecast of total truck sales and an expected shift toward more expensive, heavy trucks.

Table 2 presents a low and a high estimate of Highway Trust Fund revenues developed by CBO based on FHWA and Treasury projections. Both use FHWA's estimate of revenue losses due to gasohol. The low estimate of revenues uses the Treasury's estimate of revenues from the truck excise tax and other taxes and CBO's low estimate of fuel tax receipts (revenues of about \$4.5 billion a year from 1982 through 1986 with declining auto fuel use offset by growing truck use). Except for the lower losses for gasohol, this

TABLE 2. HIGH AND LOW ESTIMATES OF FUTURE HIGHWAY TRUST FUND REVENUES (In millions of dollars)

	1982	1983	1984	1985	1986
<hr/>					
Low Estimate <u>a/</u>					
Gross fuel	4,500	4,500	4,500	4,500	4,500
Less gasohol	(80)	(94)	(108)	(122)	(160)
Net fuel	4,420	4,406	4,392	4,378	4,340
New truck excise tax	1,173	1,385	1,368	1,261	1,429
Other taxes	<u>1,448</u>	<u>1,535</u>	<u>1,604</u>	<u>1,676</u>	<u>1,742</u>
Total	7,041	7,326	7,364	7,313	7,511
<hr/>					
High Estimate <u>b/</u>					
Gross fuel	4,600	4,650	4,700	4,750	4,800
Less gasohol	(80)	(94)	(108)	(122)	(160)
Net fuel	4,520	4,556	4,592	4,628	4,640
New truck excise tax	1,392	1,539	1,686	1,834	2,041
Other taxes	<u>1,483</u>	<u>1,399</u>	<u>1,414</u>	<u>1,430</u>	<u>1,491</u>
Total	7,395	7,494	7,692	7,892	8,172

a/ CBO low estimate of gross fuel use, FHWA estimate of gasohol, and Treasury estimates for other taxes.

b/ CBO high estimate of gross fuel use and FHWA estimates from cost allocation study for other items.

estimate is only slightly higher than Treasury's latest forecast. (The analyst preparing Treasury's forecast has indicated informally that the next revision is likely to be somewhat higher.) The high estimate of revenues uses FHWA figures for all taxes except the fuel tax, where CBO's high estimate is used. In the calculations presented below, the high estimate of receipts has been smoothed, so that there is a steady growth from 1981 through 1986.

Implications of the Estimates

Tables 3 and 4 summarize the financial position of the Highway Trust Fund from 1981 through 1986 under the low and high estimates of revenues, respectively. Under both situations, outlays exceed receipts in every year and the cash balance declines at an increasing rate over time. Both these examples include interest earned by the cash balance based on CBO's estimates of future interest rates. The Administration's estimates of future interest rates are lower, resulting in total interest income of about \$1 billion less over the next five years.

The last column, "Unfunded Liabilities Measured in Years of Receipts," is perhaps the key to assessing the need for additional tax revenue. Currently, unfunded liabilities are equal to about one and one-quarter years of revenue. That is, the Highway Trust Fund must continue for one and one-quarter years with no new highway authorizations if the trust fund is to balance out. Although there is no generally accepted rule, given the possibility of future oil embargoes and faster highway spendout, a level of unfunded liabilities equal to one and one-half years of revenues appears to be a reasonably safe level. Unfunded liabilities greater than that would signal the need for tax increases or program reductions.

Under the low estimate of revenues, unfunded liabilities exceed one and one-half years of revenues in 1984 and two years' worth in 1986. A tax increase of at least \$1 billion to \$2 billion would be needed in 1984 to bring outlays into balance with trust fund receipts and restore the fund to a position of long-term stability. Such an increase is equivalent to a 25 percent increase in tax receipts or a 2 cent-per-gallon increase in fuel taxes alone.

Trust Fund Extension

In order for revenues to equal liabilities under the low estimate of revenues, the trust fund should be extended to 1989, three years beyond the last year of full authorization. An extension to 1990 would be needed to accommodate authorizations for the Interstate Highway System.

Under the high estimate of trust fund revenues, the level of unfunded liabilities does not exceed one and one-half years of revenues until 1985. The trust fund would have to be extended to 1988, continuing the current practice of a two-year overlap. An extension to 1989 would be needed to fund Interstate authorizations beyond 1986.

TABLE 3. ADMINISTRATION HIGHWAY PROGRAM UNDER LOW ESTIMATE OF TRUST FUND REVENUES (In millions of dollars)

Fiscal Year	Authori- zations <u>a/</u>	Outlays <u>a/</u>	Trust Fund Receipts <u>b/</u>	Cash Balance Start of Year	Change	Cash Balance End of Year	Unpaid Authorizations End of Year	Unfunded Liabilities End of Year	Unfunded Liabilities Measured in Years of Receipts
1981	9,340	8,760	7,940	11,000	(820)	10,180	20,170	9,990	1.22
1982	8,820	8,720	8,170	10,180	(550)	9,630	20,270	10,640	1.26
1983	9,390	8,730	8,420	9,630	(310)	9,320	20,930	11,610	1.40
1984	9,760	9,280	8,310	9,320	(970)	8,350	21,410	13,060	1.61
1985	9,870	9,630	8,090	8,350	(1,540)	6,810	21,650	14,840	1.84
1986	10,490	10,370	8,080	6,810	(2,290)	4,520	21,770	17,250	2.13

a/ Estimated by CBO.

b/ Includes interest estimated by CBO.

TABLE 4. ADMINISTRATION HIGHWAY PROGRAM UNDER HIGH ESTIMATE OF TRUST FUND REVENUES (In millions of dollars)

Fiscal Year	Authori- zations <u>a/</u>	Outlays <u>a/</u>	Trust Fund Receipts <u>b/</u>	Cash Balance Start of Year	Change	Cash Balance End of Year	Unpaid Authorizations End of Year	Unfunded Liabilities End of Year	Unfunded Liabilities Measured in Years of Receipts
1981	9,340	8,760	7,940	11,000	(820)	10,180	20,170	9,990	1.24
1982	8,820	8,720	8,190	10,180	(530)	9,650	20,270	10,620	1.30
1983	9,390	8,730	8,420	9,650	(310)	9,340	20,930	11,590	1.38
1984	9,760	9,280	8,560	9,340	(720)	8,620	21,410	12,790	1.49
1985	9,870	9,630	8,720	8,620	(910)	7,710	21,650	13,940	1.60
1986	10,490	10,370	8,870	7,710	(1,500)	6,210	21,770	15,560	1.75

a/ Estimated by CBO.

b/ Includes interest estimated by CBO.

While these estimates apply to the bill proposed by the Administration, they would also apply with little change to the draft Senate bill since it proposes a similar level of authorizations from the trust fund. Since, overall, the Senate bill's authorizations are slightly smaller, the financial condition of the trust fund would be slightly better as well.

Lower Interest Rates and Higher Gasohol Consumption

Changes in two assumptions could serve to reduce the expected revenues enough to require an earlier evaluation of the need for a tax increase or a program reduction. Use of OMB's estimate of future interest rates could reduce receipts by about \$200 million a year, while greater use of gasohol could reduce revenues by over \$400 million in 1985 or 1986. Changing both these assumptions and using the low estimate of revenues would push unfunded liabilities over the one and one-half year level as early as 1983. These assumptions--low revenues, low interest, and high use of gasohol--are very close to the Administration's most recent official forecasts.

Effect of Inflation

Measured in terms of dollars of constant purchasing power, the proposed Administration highway program represents a real decrease in federal highway spending relative to the 1981 highway program. By 1985, authorizations would have to exceed \$14 billion in order to provide purchasing power comparable to the \$9.3 billion in authorizations for 1981. A highway program of this magnitude would quickly place the trust fund in financial jeopardy, requiring a large increase in user fees. As shown in Table 5, even under the high estimate of future trust fund revenues, unfunded liabilities would exceed two years' worth of receipts in 1984 and the trust fund would be out of cash by 1986. Under the low estimate of trust fund receipts, a negative cash balance would be reached a year earlier, in 1985.

The constant-dollar authorizations shown in Table 5 are based on CBO's projection of future highway costs. Use of OMB's lower estimate of inflation would improve the condition of the trust fund somewhat. On the other hand, use of OMB's interest rate assumptions and the low estimate of trust fund receipts would show a weaker trust fund.

TABLE 5. HIGHWAY PROGRAM ADJUSTED FOR INFLATION UNDER HIGH ESTIMATE OF TRUST FUND REVENUES (In millions of dollars)

Fiscal Year	Authori- zations <u>a/</u>	Outlays <u>a/</u>	Trust Fund Receipts <u>b/</u>	Cash Balance Start of Year	Change	Cash Balance End of Year	Unpaid Authorizations End of Year	Unfunded Liabilities End of Year	Unfunded Liabilities Measured in Years of Receipts
1981	9,340	8,760	7,940	11,000	(820)	10,180	20,170	9,990	1.22
1982	10,380	8,840	8,190	10,180	(650)	9,530	21,710	12,180	1.46
1983	11,420	9,370	8,370	9,530	(1,000)	8,530	23,760	15,230	1.81
1984	12,510	10,600	8,400	8,530	(2,200)	6,330	25,670	19,340	2.31
1985	13,590	11,600	8,360	6,330	(3,240)	3,090	27,660	24,570	2.98
1986	14,770	13,080	8,240	3,090	(4,840)	(1,750)	29,350	31,100	3.77

a/ Estimated by CBO.

b/ Includes interest estimated by CBO.

APPENDIX. DETAILS OF ESTIMATES OF TRUST FUND REVENUES

Both the Treasury Department (as a matter of routine) and the Federal Highway Administration (as part of the cost allocation study) have prepared estimates of future trust fund receipts. The Treasury's estimates are based on simple econometric equations for each tax, while FHWA has contracted with a consulting firm to make forecasts of the sales and stock of vehicles, amount of travel, and fuel consumed for each of a large number of vehicle types. The FHWA estimates have no official status at this stage and are likely to be adjusted on the basis of ongoing work. Nonetheless, they provide a valuable reference point because of their thorough detail. The Treasury is also expected to revise its estimate of trust fund revenues shortly as part of the regular midyear budget review.

Vehicle Miles Travelled

CBO has prepared estimates of fuel tax receipts using an approach similar to that of FHWA, albeit on a much less detailed basis. It draws upon the FHWA forecasts in many key respects. Table A-1 compares the assumptions made by both FHWA and CBO in estimating motor fuel tax receipts for 1985. CBO has followed FHWA estimates for future vehicle fuel efficiency and for growth in the number of vehicles. Thus, the only real differences relate to assumptions about future vehicle miles travelled for certain vehicles. FHWA, as part of the cost allocation study, assumes that the average miles per vehicle will decline significantly for cars, small trucks (vans, etc.), and combination trucks, apparently in response to higher fuel costs.

CBO's high estimate of fuel use shown in Table A-1 assumes that higher real fuel prices will result in vehicles with greatly improved fuel efficiency, permitting owners of cars and small trucks to drive roughly the same mileage as in the past. Further, the switch toward large combination trucks predicted by FHWA should mean more miles per vehicle rather than fewer since these larger, more expensive trucks are used more intensively than smaller ones. CBO's estimate of mileage for combination trucks is based on this shift toward more heavily used vehicles, and not on any increase in the miles each type of truck is driven. These differences mean that CBO's high estimate of fuel use for 1985 is more than 10 percent above that of FHWA.

TABLE A-1. ASSUMPTIONS BY CBO AND FHWA IN ESTIMATING FUTURE HIGHWAY FUEL USE

Vehicle	Miles per Vehicle		Total VMT 1985 (Billions)	Miles per Gallon		Compound Annual Increase 1977-1985 (Percent)		Billions of Gallons of Fuel in 1985
	1977	1985		1977	1985	Stock of Vehicles	VMT	
CBO High Estimate								
Cars	11,400 <u>a/</u>	11,200 <u>a/</u>	1,283	13.8	19.1	1.74	1.51	67.22
Small Trucks	11,492	11,500 <u>a/</u>	376	11.8	14.6	5.08	5.09	25.75
Single-Units	12,198	12,147	29	5.8	5.9	0.51	0.46	4.85
Combinations	50,370	53,200 <u>a/</u>	100	4.6	5.1	5.08	5.80	19.68
Other	N/A	N/A	24	N/A	N/A	5.31	4.12	1.28
Total	11,460	11,332	1,812	13.2	17.3	2.53	2.39	118.78

FHWA (Working Estimates from Cost Allocation Study)								
Cars	10,777	9,969	1,143	13.8	19.1	1.74	0.75	59.83
Small Trucks	11,492	10,627	347	11.8	14.6	5.08	4.06	23.79
Single-Units	12,198	12,147	29	5.8	5.9	0.51	0.46	4.85
Combinations	50,370	46,525	88	4.6	5.1	5.08	4.04	17.21
Other	N/A	N/A	24	N/A	N/A	5.31	4.12	1.28
Total	10,985	10,197	1,631	13.2	17.3	2.53	1.58	106.96 <u>b/</u>

a/ Assumption differs from FHWA.

b/ FHWA's estimate of Highway Trust Fund Revenue implies fuel use of 102.6 billion gallons.

Table A-2 compares 1980 highway fuel use with estimates for 1985 by FHWA and Treasury, and with two CBO estimates--a high and a low. (The low CBO estimate differs from the high estimate by assuming that the growth in small trucks is equal to that of cars--1.7 percent per year versus 5.1 percent--and that combination trucks are driven, on average, the same number of miles as in 1977.) There is only about a 2 percent difference between CBO's low estimate and that of Treasury, but there is an almost 16 percent difference between that of FHWA and CBO's high estimate.

TABLE A-2. COMPARISON OF VARIOUS ESTIMATES FOR HIGHWAY FUEL CONSUMPTION AND RECEIPTS FOR 1985 (In billions of gallons and millions of dollars)

Source	Gallons of Fuel <u>a/</u>	Gross Receipts	Less Gasohol	Net Receipts
CBO				
High <u>c/</u>	118.8	4,751	141 <u>b/</u>	4,610
Low <u>d/</u>	111.8	4,474	133 <u>b/</u>	4,341
Treasury	109.0	4,360	549 <u>e/</u>	3,811
FHWA	102.6	4,105	122 <u>b/</u>	3,983
1980 Actual	111.9	4,476	56 <u>e/</u>	4,420

a/ Excludes farm and off-road use.

b/ Assumed to be 3.5 percent of gasoline consumption.

c/ See Table 2.

d/ Stock of small trucks (vans, etc.) increases at same rate as cars (1.7 percent per year versus 5.1 percent) and there is no change in average miles per combination truck.

e/ Estimate by Department of Energy.

Gasohol

The net receipts after deducting for losses due to gasohol are much different. Gasohol is important since each gallon of alcohol fuel (enough to make ten gallons of gasohol) used for highway use reduces federal highway tax receipts by 40 cents. The Treasury uses estimates prepared by the Department of Energy that alcohol fuel production will total about 1.4 billion gallons in 1985, causing an almost \$550 million loss in trust fund revenues. FHWA uses a much lower estimate of about 300 million gallons or a \$120 million loss based on a DOT-developed model. These differences are dramatic and make the Treasury and FHWA forecasts appear much closer to each other than they actually are. Staff of the Office of Alcohol Fuels within the Department of Energy have said that their next revision of these estimates is likely to be substantially lower, particularly if the Administration proposal to cut back loan guarantees for alcohol fuel plants is approved by the Congress. For now, the FHWA forecasts of gasohol use appear more reasonable and will be used here, although more work is needed to refine these estimates and to reconcile the gap between them.

Truck Excise Tax

There are major differences between Treasury and FHWA on revenues from the 10 percent tax on truck sales. Currently, FHWA estimates receipts at over \$1.8 billion in 1985 versus Treasury's estimate of \$1.3 billion. In informal discussions, however, Treasury people have indicated that this is one of the areas that may be changed in their next forecast.

Both Treasury and FHWA assume a 0.4 percent a year real growth in the price of trucks, but FHWA is predicting greater use of diesels and larger trucks. As a result, FHWA predicts an additional 2 percent-per-year real growth in truck prices. FHWA also predicts continued strong growth in the number of trucks while Treasury's estimate appears to assume little growth beyond replacement needs. FHWA also predicts truck sales of about 400,000 for 1985 versus Treasury's estimate of close to 300,000, although the large corrective factor used by FHWA to adjust estimated receipts to actual may reduce much of this difference. Also, Treasury's estimate of receipts from other highway taxes is somewhat higher than that of FHWA. Although more analysis is needed, FHWA's approach appears more appealing overall. Both estimates use the Administration's predictions for inflation. Use of less optimistic forecasts would increase estimated receipts.

Interest

The interest earned by the cash balance in the fund varies according to the cash on hand and is thus included only in the trust fund summary tables presented below. CBO's estimates of future interest rates for Treasury's total marketable debt are used in these tables, although calculations based on OMB estimates have been made. OMB's projections are between 1.5 and 3 percentage points lower than CBO's.