



June 25, 2014

Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In your letter of June 24, 2014, you asked the Congressional Budget Office (CBO) to answer three questions regarding the status of the Highway Trust Fund:

- How much in additional revenues would the Highway Trust Fund need to meet obligations that are presented to it through December 31, 2014?
- What are the assumptions that underlie that revenue estimate?
- What would the status of the Highway Trust Fund be under a proposal to increase the taxes on gasoline and diesel fuels by six cents per gallon, beginning on August 1, 2014?

What additional revenues would be needed for the Highway Trust Fund to meet obligations through December 31, 2014?

Based on the most recent information from the Department of Transportation (DOT) about the trends in spending from the Highway Trust Fund and revenues credited to the trust fund, CBO estimates that additional revenues of about \$8 billion would be needed for the Highway Trust Fund to meet all the obligations that are likely to be presented to the fund during the remainder of calendar year 2014 while maintaining the minimum cash balance DOT requires to manage the fund. That estimate reflects an assumption that the provisions of the Moving Ahead for Progress in the 21st Century (MAP-21) would be extended through December 31, 2014.

What assumptions underlie that revenue estimate?


The above estimate reflects the assumption that funding for the Highway Trust Fund in fiscal year 2015 continues at the same level provided in 2014, adjusted for inflation, and that the provisions of MAP-21 are continued through December 31, 2014. CBO estimates that outlays from the trust fund will exceed revenues by about \$10 billion from the end of May to the end of September this year; as a result, the trust fund will probably end fiscal year 2014 with a combined balance in the two accounts of about \$1 billion. CBO projects a shortfall of \$4 billion in the first quarter of fiscal year 2015. Because DOT has indicated that it needs \$5 billion in cash (\$4 billion in the highway account and \$1 billion in the transit account) to make payments in a timely fashion, CBO estimates that the Highway Trust Fund would need roughly \$8 billion to maintain that balance and meet obligations through the end of the calendar year.

What would the status of the Highway Trust Fund be if the tax on gasoline and diesel fuel was increased by six cents per gallon starting on August 1, 2014?

According to estimates provided by staff of the Joint Committee on Taxation, increasing the gasoline and diesel fuel tax by \$0.06 per gallon for the final five months of calendar year 2014 would generate about \$4 billion in additional revenues above the amounts projected under current law. CBO estimates that those additional revenues would not be adequate to prevent a shortfall in the Highway Trust Fund, and that DOT would need to slow reimbursements to local governments even if those additional revenues were realized.

I hope that this information is helpful to you. If you require further assistance, we will be pleased to provide it. The staff contact for this analysis is Sarah Puro.

Sincerely,


for Douglas W. Elmendorf
Director

cc: Honorable Orrin G. Hatch
Ranking Member