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General Accounting Office
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Resources, Community, and
Economic Development Division

B-276166

February 11, 1997

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Connie Mack
United States Senate

As you requested, we are providing our analysis comparing what states received under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) with what they might have received under the proposed Transportation Empowerment Act (TEA 2). On October 2, 1996, you requested that we verify the Federal Highway Administration's (FHWA) analysis of TEA 2. The verification of FHWA's analysis proved difficult, however, because the assumptions governing it were not documented, and at times FHWA officials were not certain how the data were derived or what financial categories were included.

Nonetheless, with the cooperation of and data received from officials in FHWA's Office of Budget and Finance and Office of Policy, we corrected problems with FHWA's analysis and identified data sources and assumptions to use in our analysis. Our analysis is dependent on the assumptions inherent in TEA 2, such as that all states increase their state gas tax by the same amount that the federal tax is decreased. Our analysis is also based on the assumption

GAO/RCEd-97-73R, Transportation Infrastructure: Estimated
Funding Under the Transportation Empowerment Act

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that unpaid obligations from prior years are financed from federal fuel taxes,¹ with the remainder of the tax revenues to be available to the states.

The results of our analysis and the accompanying assumptions are presented in appendix I. We have also provided, as appendix II, that part of our analysis that shows what is available for distribution to the states after past obligations are paid off and funds go to the core federal program as proposed in TEA 2. Since our analysis assumes that the total tax receipts equal the total outlays, there is no expected impact on the federal budget.

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We provided FHWA with draft copies of our analysis for review and comment. We met with officials from FHWA's Office of Budget and Finance and Office of Policy, who agreed with the reasonableness of the analysis' approach and the appropriateness of the data used.

We performed our work from October 1996 through February 1997. Please call me at (202) 512-3650 if you have any questions.



Phyllis F. Scheinberg
Associate Director, Transportation Issues

¹The federal Highway Trust Fund was established in 1956 essentially as an accounting mechanism to finance the federal-aid highway program. When the Congress established the fund, it also established a safety mechanism, referred to as the Byrd Amendment, to ensure that sufficient funds would be available to liquidate commitments at the end of each fiscal year. As revised by the Surface Transportation Assistance Act of 1982, the Byrd Amendment permits the total of the projected unpaid highway commitments against the trust fund at the close of any fiscal year to exceed the end-of-year balance, as long as the projected income for the following 2 fiscal years will be sufficient to cover the commitments.

HISTORICAL ANALYSIS: KASICH-MACK TEA 2 COMPARED TO ACTUAL ISTEA

Actual Obligations and Allocations--FY92-97
(Dollars in millions)

States	Highway Obligations				Other Highway Funding				Federal Program				KASICH-MACK TOTAL	DIFFERENCE KASICH-MACK TOTAL MINUS ISTEA TOTAL	
	Net Discretionary		Minimum Allocations		ISTEA Demos		Federal Lands		Interstate Bridge		Federal Lands				Potential State Obligations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)			
Alabama	1,617		133	143	4	55	1,947	310	104	4	417	2,399	2,816	869	
Alaska	1,209	2	0	0	105	16	1,332	126	19	105	251	258	509	(823)	
Arizona	2	(2)	245	12	333	106	1,957	353	16	333	701	1,951	2,652	695	
Arkansas	1,013	0	195	272	11	35	1,525	179	77	11	267	1,532	1,799	274	
California	8,416	30	971	313	167	2,538	12,435	1,656	412	167	2,235	12,506	14,740	2,305	
Colorado	1,141	166	0	3	74	97	1,481	299	60	74	433	1,504	1,937	456	
Connecticut	1,907	67	0	78	0	287	2,349	208	155	0	363	1,253	1,617	(733)	
Delaware	439	1	0	0	0	30	470	82	16	0	98	340	438	(32)	
Dist. of Col.	502	4	0	22	33	276	837	82	38	33	154	160	313	(524)	
Florida	3,414	(14)	833	175	9	535	4,952	610	120	9	739	5,996	6,735	1,784	
Georgia	2,563	7	459	103	7	368	3,505	582	107	7	697	4,201	4,897	1,392	
Hawaii	647	445	0	6	4	85	1,187	82	44	4	130	335	465	(722)	
Idaho	645	9	0	69	72	10	805	148	17	72	237	579	817	11	
Illinois	3,464	129	0	418	3	1,254	5,268	565	232	3	800	4,052	4,852	(416)	
Indiana	1,934	4	347	92	2	134	2,512	368	86	2	456	2,937	3,393	880	
Iowa	1,147	16	0	39	2	98	1,302	228	1,264	2	326	1,590	1,590	289	
Kansas	1,132	3	0	71	5	37	1,248	232	101	5	339	1,268	1,606	358	
Kentucky	1,405	0	121	21	3	54	1,605	280	83	3	367	2,100	2,467	862	
Louisiana	1,479	51	12	69	3	161	1,774	296	140	3	439	1,936	2,375	601	
Maine	499	11	1	183	7	50	751	82	41	7	130	620	750	(1)	
Maryland	1,651	77	81	94	19	397	2,319	271	100	19	390	2,043	2,433	114	
Massachusetts	4,809	11	0	6	7	701	5,534	278	301	7	586	2,202	2,789	(2,745)	
Michigan	2,591	81	312	121	15	259	3,379	528	175	15	718	3,994	4,712	1,333	
Minnesota	1,421	146	0	192	35	112	1,907	312	71	35	419	1,755	2,173	266	
Mississippi	1,077	(1)	70	27	24	30	1,227	194	98	24	317	1,464	1,781	554	
Missouri	2,049	15	157	109	5	315	2,651	444	208	5	658	2,910	3,568	916	
Montana	916	1	0	18	148	8	1,091	255	28	148	431	520	951	(140)	
Nebraska	787	30	0	5	8	27	856	133	66	8	206	800	1,006	150	
Nevada	607	21	0	72	72	62	833	144	16	72	232	744	976	143	
New Hampshire	475	12	0	31	8	12	539	82	33	8	123	480	603	64	
New Jersey	2,818	17	0	198	6	1,409	4,448	185	335	6	526	3,204	3,730	(718)	
New Mexico	997	4	0	11	208	29	1,249	264	19	208	491	933	1,424	175	
New York	5,383	107	0	349	5	3,079	8,923	596	644	5	1,246	5,333	6,578	(2,345)	
North Carolina	2,336	2	319	96	46	130	2,929	336	161	46	543	3,522	4,064	1,135	
North Dakota	593	0	0	69	20	9	691	125	16	20	161	378	539	(152)	
Ohio	3,316	5	270	154	1	422	4,167	628	255	1	884	4,294	5,178	1,011	
Oklahoma	1,315	0	110	86	94	42	1,647	224	105	94	423	1,866	2,290	643	
Oregon	1,179	19	29	45	124	655	2,051	247	87	124	458	1,482	1,941	(111)	
Pennsylvania	4,244	126	90	847	16	1,128	6,450	427	648	16	1,092	4,897	5,989	(461)	
Rhode Island	545	28	0	56	1	43	673	82	39	1	122	336	458	(215)	
South Carolina	1,232	115	74	38	3	43	1,505	280	68	3	351	2,027	2,379	874	
South Dakota	662	23	0	0	70	10	765	152	24	70	246	387	633	(132)	
Tennessee	1,925	0	126	38	29	121	2,239	407	141	29	577	2,700	3,277	1,038	
Texas	5,960	50	507	231	23	833	7,605	1,231	259	23	1,514	9,082	10,596	2,991	
Utah	745	3	0	11	68	132	959	272	24	68	365	861	1,226	267	
Vermont	443	2	0	20	2	24	491	82	33	2	117	315	432	(59)	
Virginia	2,079	99	228	136	45	115	2,702	463	136	45	644	3,183	3,827	1,125	
Washington	1,810	220	98	88	101	276	2,592	351	149	101	601	2,166	2,768	175	
West Virginia	915	17	0	305	5	38	1,280	132	137	5	274	1,172	1,482	(108)	
Wisconsin	1,672	(0)	251	70	21	147	2,161	220	76	21	317	2,284	2,601	441	
Wyoming	644	2	0	20	107	6	778	201	16	107	325	449	773	(4)	
Puerto Rico	456	2	0	0	0	107	566	74	37	0	111	0	111	(454)	
TOTAL	93,489	2,159	6,037	5,628	2,181	16,955	126,449	16,393	6,473	2,181	25,047	114,700	139,747	13,288	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	

Sources and Working Assumptions for KASICH-MACK Tables
(By column number)

- General: All obligations made prior to FY1992 and unpaid at the start of this analysis are paid as they come due. Unobligated authorizations for fiscal years prior to FY1992 are canceled. All authorizations for the Federal Program under TEA 2 for FY1992-FY1997 are fully obligated. Full federal fuel excise taxes are collected in the transition years of 1992 and 1993, and any excess taxes are distributed to the states as grants.
- (1) Highway Obligations are based on an FHWA report (LF07M38A). This column includes all obligations subject to limitation except for those listed separately. Numbers are net of the administrative deduction (varies by year) and the 1% planning deduction.
 - (2) Net Discretionary allocations are from FHWA Apportionment Computation Tables. The FY97 numbers are not yet available so the FY96 values are used as a proxy.
 - (3) Minimum Allocation numbers are from FHWA apportionment tables.
 - (4) ISTEA Demo numbers are from FHWA Office of Fiscal Services. These numbers contain no multi-state funds nor demonstration project funding provided only by appropriation.
 - (5) Federal Lands allocations are from FHWA Office of Policy's Quattro Pro spreadsheet for each fiscal year's allocations. Federal Lands includes funding for public lands, indian reservation roads, parkways, and park highways.
 - (6) Transit Obligations are from FTA and represent obligations from the transit account of the Highway Trust Fund
 - (7) ISTEA TOTAL is the sum of columns (1) through (6).
 - (8) Interstate Maintenance numbers are apportionments for each year based on full funding of the authorized amount, i.e., obligations=authorizations. Numbers are net of the administrative deduction, which varies by year.
 - (9) Interstate Bridge numbers are estimated apportionments for each year that are calculated by using an FHWA estimate that 43% of the funding for the Bridge Replacement and Rehabilitation Program is for interstate bridges. The apportionments are based on full funding of the authorized amount, i.e., obligations=authorizations. Numbers are net of the administrative deduction, which varies by year.
 - (10) Federal Lands allocations are from FHWA Office of Policy's Quattro Pro spreadsheet for each fiscal year's allocations. Federal Lands includes funding for public lands, indian reservation roads, parkways, and park highways.
 - (11) Program Subtotal is the sum of columns (8) through (10).
 - (12) Potential State Obligations are the obligations in each year that could be financed by (1) any excess federal tax receipts that might be distributed to the states plus (2) state fuel taxes if they were raised by an amount equal to any federal tax cut in that year. For 1992 and 1993, any federal fuel and truck tax receipts that are not required to finance outlays for prior years' obligations and the continuing federal program are distributed to the states. In 1994, federal excise taxes on each fuel type are reduced to about 3.5 cents and to 2 cents thereafter; truck taxes are maintained at their current rates. Existing Highway Trust Fund balances are not used to finance prior years' obligations; rather, those obligations are paid from federal fuel taxes before any distribution or tax cut is calculated. As a result, this proposal is deficit neutral. The allocation of these potential obligations to the states is based on the state's proportion of total tax receipts in each year.
 - (13) KASICH-MACK TOTAL is the sum of columns (11) and (12).
 - (14) DIFFERENCE KASICH-MACK TOTAL MINUS ISTEA TOTAL is the difference between columns (13) and (7).

FUNDS AVAILABLE FOR FEDERAL PROGRAM EXPENSES AND STATE OBLIGATIONS

(Dollars in millions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Federal Tax Requirements to Finance Prior Years' Obligations and Continuing Federal Program										
Outlays for All Prior Years' Obligations	12,283	4,751	3,728	1,345	1,643	853	513	193	0	0
Outlays From New Obligations for Continuing Federal Programs	626	2,392	3,345	3,671	4,114	4,179	4,262	4,589	4,797	4,935
Total Outlays	12,909	7,143	7,073	5,016	5,757	5,032	4,775	4,782	4,797	4,935
Less Truck Tax Receipts--Use, Trailers, Tires	1,751	2,134	2,351	3,086	3,190	3,277	3,622	3,684	3,747	3,813
Financing Requirement From Fuel Taxes	11,158	5,009	4,722	1,930	2,567	1,755	1,153	1,098	1,050	1,122
Total Federal Fuel Taxes	14,983	15,904	14,317	19,525	22,132	22,400	21,247	21,600	21,962	22,335
Less Financing Requirement From Fuel Taxes	11,158	5,009	4,722	1,930	2,567	1,755	1,153	1,098	1,050	1,122
Excess Federal Tax Receipts	3,824	10,896	9,595	17,595	19,565	20,645	20,094	20,502	20,912	21,213
Potential Federal Excise Tax Cut After Retaining at Least 2 Cents of Fuel Taxes (1994 and beyond)	0	0	9,595	16,603	19,109	19,341	18,336	18,642	18,955	19,278
State Taxes Available for Obligation										
Federal Fuel Excise Tax Cut	0	0	9,595	16,603	19,109	19,341	18,336	18,642	18,955	19,278
Plus Distribution of Excess Federal Tax Receipts	3,824	10,896	0	993	456	1,304	1,758	1,860	1,957	1,935
Taxes Available for Obligation by the States	3,824	10,896	9,595	17,595	19,565	20,645	20,094	20,502	20,912	21,213
Potential State Obligations (From Next Page)	14,050	15,600	18,050	22,000	22,500	22,500	21,250	21,000	21,250	21,500
Budget Effect										
Tax Receipts	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Federal Fuel Taxes	14,983	15,904	4,722	2,923	3,023	3,059	2,911	2,958	3,007	3,057
Truck Taxes	1,751	2,134	2,351	3,086	3,190	3,277	3,622	3,684	3,747	3,813
Total Tax Receipts	16,733	18,039	7,073	6,009	6,213	6,336	6,533	6,642	6,754	6,870
Outlays										
Outlays for Prior Years' Obligations--Prior to FY92	12,283	4,751	3,728	1,345	1,643	853	513	193	0	0
Outlays for New Obligations for Continuing Federal Programs	626	2,392	3,345	3,671	4,114	4,179	4,262	4,589	4,797	4,935
Excess Federal Tax Distribution to the States	3,824	10,896	0	993	456	1,304	1,758	1,860	1,957	1,935
Total Outlays	16,733	18,039	7,073	6,009	6,213	6,336	6,533	6,642	6,754	6,870
Budget Effect	0	0	0	0	0	0	0	0	0	0

ESTIMATED STATE OBLIGATIONS

Estimated Maximum Obligation Capacity of the States Based on Tax Distributions and Tax Cuts

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	
Taxes Available for Obligation by the States		3,824	10,896	9,595	17,595	19,565	20,645	20,094	20,502	20,912	21,213	
Potential State Obligations Based on Available Taxes		14,050	15,600	18,050	22,000	22,500	22,500	21,250	21,000	21,250	21,500	
Year	Tax Receipts = Authorizations	Outlays	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
1992	3,824	2515	6519	2304	885	534	436	337	337	183		
1993	10,896		2792	7238	2558	983	593	484	374	374	203	
1994	9,595			3231	8375	2960	1137	686	560	433	433	
1995	17,595				3692	11537	3342	1003	634	568	486	
1996	19,565					3776	11799	3418	1026	648	581	
1997	20,645						3776	11799	3418	1026	648	
1998	20,094							3566	11144	3228	969	
1999	20,502								3524	11012	3190	
2000	20,912									11012	3190	
2001	21,213										11144	3608
Total Outlays		2,515	9,312	12,774	15,510	19,789	21,082	21,292	21,016	21,038	21,261	
Tax Receipts		3,824	10,896	9,595	17,595	19,565	20,645	20,094	20,502	20,912	21,213	
Less Total Outlays		2,515	9,312	12,774	15,510	19,789	21,082	21,292	21,016	21,038	21,261	
Net Income		1,309	1,584	(3,179)	2,085	(225)	(436)	(1,198)	(514)	(126)	(48)	
States' Starting Balance		0	1,363	3,104	24	2,176	2,094	1,781	657	168	49	
Plus Net Income		1,309	1,584	(3,179)	2,085	(225)	(436)	(1,198)	(514)	(126)	(48)	
Plus Interest		54	156	98	68	142	124	74	25	7	2	
States' Ending Balance		1,363	3,104	24	2,176	2,094	1,781	657	168	49	2	
		1992	1993	1994	1995	1996	1997	TOTAL 92-97				
Tax Receipts		3,824	10,896	9,595	17,595	19,565	20,645	82,120				
Obligations (= Authorizations)		14,050	15,600	18,050	22,000	22,500	22,500	114,700				
% Obligations > Taxes		267%	43%	88%	25%	15%	9%	40%				
Interest Rate on Balances		0.0825	0.0725	0.065	0.06375	0.06875	0.06625	0.0625	0.0625	0.0625	0.0625	0.0620

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