

## **Action Needed to Preserve Enacted 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's FY 2008 mid-session budget review forecasts revenues for the Highway Account will fall short of meeting these commitments and result in a negative \$4.3 billion balance during FY 2009, the last year of SAFETEA-LU authorizations. Five months ago, the Administration estimated the Highway Account would have a negative \$700 million balance in FY 2009.

The table below outlines the shortfall now projected by the Administration. It also shows the reduction in FY 2009 highway funding to the states such a revenue gap could cause absent any proactive steps by the Congress to mitigate the situation.

<b>Fiscal Year</b>	<b>Guaranteed Highway Investment</b>	<b>Projected Highway Account Balance</b>	<b>Potential Highway Investment Cut</b>	<b>Net Highway Investment</b>
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 should not have to be an option. There are a number of policy choices—some of which have been endorsed by the Bush Administration and Congress—that would generate sufficient trust fund revenues to ensure the commitments to the states made in SAFETEA-LU are upheld. These alternatives include:

- Reimburse the Highway Trust Fund for revenues lost as a result of federal motor fuel tax exemptions provided to governments. These exemptions currently cost the Highway Account more than \$1 billion per year in unrealized revenue.
- Develop additional mechanisms to further crack down on illegal fuel tax evasion.
- Transfer revenues generated from the “gas guzzler tax” from the General Fund to the Highway Trust Fund.
- Credit the Highway Trust Fund with foregone interest from its unexpended cash balances since 1998.
- Recapture a portion of the Highway Trust Fund balance that was written off with the enactment of the 1998 surface transportation reauthorization bill, TEA-21.

These rational and appropriate policy improvements clearly demonstrate constructive steps can be taken to preserve the solvency of the Highway Trust Fund in Fiscal Year 2009 and deliver needed transportation improvements. Congress should act as soon as possible to ensure revenues are available to support SAFETEA-LU's highway investment commitments.