CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 11, 2014

H.R. 5021
Highway and Transportation Funding Act of 2014

As ordered reported by the House Committee on Ways and Means on July 10, 2014

SUMMARY

CBO estimates that enacting H.R. 5021 would reduce direct spending and increase revenues. In total, those changes would reduce budget deficits over the 2014-2024 period by an estimated $9.9 billion. The legislation also would transfer about $9.8 billion from the general fund of the Treasury to the Highway Trust Fund to facilitate continued spending from that trust fund. CBO's estimate of the effect of H.R. 5021 on budget deficits does not include the effects of such a transfer; however, the budget resolution passed by the House of Representatives considers transfers from the general fund of the Treasury to the Highway Trust Fund to be new spending.[1]

Major provisions of the legislation would:

- Extend the spending authority for certain surface transportation programs,
- Extend the authority to collect fees charged by U.S. Customs and Border Protection, and
- Allow single-employer defined benefit pension plans to use higher interest rates when calculating their future liabilities for the 2013-2020 plan years. Using higher interest rates would reduce the minimum contributions that employers are required to make to such plans, leading to increases in offsetting receipts, direct spending, and revenues. CBO expects that the bill would increase the amount of underfunding in such plans.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

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1. Transfers totaling $9.8 billion from the general fund of the Treasury to the Highway Trust Fund would be authorized in section 2002 of the legislation. Section 113 of the Bipartisan Budget Act of 2013 (Public Law 113-67, Division A) extended the terms of section 608 of H. Con Res. 25, the Concurrent Resolution on the Budget–Fiscal Year 2014. Pursuant to section 608, general fund transfers to the Highway Trust Fund are considered to be new budget authority and outlays for budget enforcement purposes in the House of Representatives.

CBO has reviewed the nontax provisions of H.R. 5021 and determined that they contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The staff of the Joint Committee on Taxation (JCT) has reviewed the tax provisions of H.R. 5021 and determined that they also contain no intergovernmental mandates.

CBO has determined that the nontax provisions of the bill would impose a private-sector mandate, as defined in UMRA, by extending customs fees. CBO estimates that the cost of the mandate would well exceed the annual threshold established in UMRA for private-sector mandates ($152 million in 2014, adjusted annually for inflation). JCT has reviewed the tax provisions of H.R. 5021 and determined that they contain no private-sector mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 5021 are shown in the table on the following page. The costs of this legislation fall within budget functions 600 (income security) and 750 (administration of justice).

BASIS OF ESTIMATE

H.R. 5021 would reduce direct spending and increase revenues by a combined total of roughly $9.9 billion between 2015 and 2024. The legislation would also increase spending subject to appropriation by an estimated $2 billion, on an annualized basis, if the necessary funds were appropriated.

Direct Spending

H.R. 5021 would reduce direct spending by about $4.8 billion over the 2015-2024 period, CBO estimates.

Extension of Customs Fees. Under current law, certain fees collected by U.S. Customs and Border Protection will expire after September 30, 2023. The bill would extend COBRA fees (which were established in the Consolidated Omnibus Budget Reconciliation Act of 1985) and merchandise processing fees through September 30, 2024. CBO estimates that those changes would increase offsetting receipts (a credit against direct spending) by about $3.5 billion in 2024.

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN DIRECT SPENDING [a]													
Customs Fees													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	-3,542	0	-3,542
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	-3,542	0	-3,542
Pension Provisions													
Estimated Budget Authority	0	-15	-70	-150	-210	-235	-215	-195	-130	-40	25	-680	-1,235
Estimated Outlays	0	-15	-70	-150	-210	-235	-215	-195	-130	-40	25	-680	-1,235
Total Changes													
Estimated Budget Authority	0	-15	-70	-150	-210	-235	-215	-195	-130	-40	-3,517	-680	-4,777
Estimated Outlays	0	-15	-70	-150	-210	-235	-215	-195	-130	-40	-3,517	-680	-4,777
CHANGES IN REVENUES													
Estimated Revenues	749	2,717	4,136	4,551	3,872	2,015	23	-1,758	-3,321	-4,052	-3,779	18,040	5,152
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on the Deficit	-749	-2,732	-4,206	-4,701	-4,082	-2,250	-238	1,563	3,191	4,012	262	-18,720	-9,929
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	2,000	0	0	0	0	0	0	0	0	0	2,000	2,000
Estimated Outlays	0	340	580	400	260	220	140	40	0	0	0	1,800	1,980

Sources: CBO and staff of the Joint Committee on Taxation.

a. The bill's provision to extend spending authority for certain surface transportation programs through May 2015 would allow for spending that would not happen under current law. However, the continuation of spending at current (annualized) levels is assumed in CBO's baseline projections, as required by the Balanced Budget and Emergency Deficit Control Act. Therefore, enacting the extension in H.R. 5021 would have no effect relative to those baseline projections.

Modification of Pension Calculation. Employers are required to pay premiums to the Pension Benefit Guaranty Corporation (PBGC) that are based on the amount of underfunding of their pension plans. By reducing the amounts that employers must contribute to their plans, the bill would increase the amount of underfunding and thereby increase the premiums paid to the PBGC. Also, to the extent that employers terminate their plans in the next 10 years, PBGC will assume those plans' assets and pay pension benefits to those retirees. Under the bill, the greater amount of underfunding would probably cause some plans to be terminated more quickly than under current law, while some other plans that would have been terminated anyway would have fewer assets for PBGC to assume; both of those differences would increase costs for PBGC. Based on information from PBGC, CBO estimates that the increased premium income and higher federal payments for retirees' benefits would, on net, reduce direct spending by $1.2 billion over the 2015-2024 period.

Extension of the Authorization for Surface Transportation Provisions. H.R. 5021 would extend provisions of MAP-21 (The Moving Ahead for Progress in the 21st Century Act, Public Law 112-141), the most recent authorization for highway and transit programs, through May 2015. That law authorizes programs administered by the Federal Highway Administration, the Federal Transit Administration, the National Highway Traffic Safety Administration, and the Federal Motor Carrier Safety Administration. However, the continuation of spending at current (annualized) levels is assumed in CBO's baseline projections, as required by the Balanced Budget and Emergency Deficit Control Act. Because H.R. 5021 would extend spending authority at the current level (on an annualized basis), it would have no effect on spending relative to those baseline projections.

Revenues

H.R. 5021 would modify the method of determining the interest rates that certain sponsors of pension plans use when calculating their required contributions to certain defined benefit plans. Through 2020, sponsors that maintain single-employer defined benefit plans would be allowed to use higher interest rates than under current law, resulting in lower contributions by employers to those plans initially and higher contributions in the latter years of the baseline period. Such contributions are tax-deductible, so a reduction in their amount would increase firms' taxable income.

JCT estimates that those and other pension provisions of H.R. 5021 would increase revenues by about $18.0 billion over the 2014-2019 period and by about $5.2 billion over the 2014-2024 period. A portion of those estimated increases in revenues—about $0.8 billion over the 2014-2019 period and $0.2 billion over the 2014-2024 period—would stem from Social Security taxes, which are classified as off-budget.

Spending Subject to Appropriation

H.R. 5021 would authorize the appropriation of funds for the construction of certain new transit projects that operate on fixed routes (for example, subway and light rail projects), for certain transportation-related grants to tribal governments, and for certain programs operated by the Pipeline and Hazardous Materials Administration. CBO estimates that the bill would authorize the appropriation of $2 billion, on an annualized basis, for fiscal year 2015.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. For pay-as-you-go purposes, only on-budget effects are included; thus, additional revenues that would be paid into Social Security's trust funds under H.R. 5021 are excluded from this table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 5021, as ordered reported by the House Committee on Ways and Means on July 10, 2014

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Impact	-725	-2,606	-4,022	-4,504	-3,927	-2,181	-251	1,473	3,036	3,837	105	-17,965	-9,765
Memorandum:													
Changes in Outlays	0	-15	-70	-150	-210	-235	-215	-195	-130	-40	-3,517	-680	-4,777
Changes in Revenues	725	2,591	3,952	4,354	3,717	1,946	36	-1,668	-3,166	-3,877	-3,622	17,285	4,988

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

CBO has reviewed the nontax provisions of H.R. 5021 and determined that they contain no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. JCT has reviewed the tax provisions of H.R. 5021 and determined that they also contain no intergovernmental mandates.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO has determined that the nontax provisions of H.R. 5021 would impose a private-sector mandate, as defined in UMRA, by extending customs fees for one year. CBO estimates that those fees would total about $3.5 billion in 2024. Consequently, the cost of the mandate would well exceed the annual threshold established in UMRA for private-sector mandates ($152 million in 2014, adjusted annually for inflation). JCT has reviewed the tax provisions of H.R. 5021 and determined that they contain no private-sector mandates.

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