CRS Insights

DRIVE Act Would Increase Highway Funding Faster than Projected Inflation
Robert S. Kirk, Specialist in Transportation Policy (rkirk@crs.loc.gov, 7-7769)
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On June 22, the Senate Environment and Public Works Committee (EPW) ordered reported favorably the highway title of a six-year surface transportation reauthorization bill. The EPW bill, called the Developing a Reliable and Innovative Vision for the Economy Act (DRIVE Act; S. 1647), provides for spending on highways to rise faster than the projected rate of inflation.

Three other Senate committees, the Committee on Banking, the Committee on Commerce, and the Committee on Finance, would need to add their pieces if the Senate is to approve a bill to supplant the existing authorization act, the Moving Ahead for Progress in the 21st Century Act (MAP-21; P.L. 112-141). That 2012 legislation, which provided for a major consolidation of highway programs, has been extended twice, most recently through July 31, 2015 (see CRS Report R42762, *Surface Transportation Funding and Programs Under MAP-21: Moving Ahead for Progress in the 21st Century Act (P.L. 112-141)*, coordinated by Robert S. Kirk).

DRIVE Act Spending Exceeds CBO Baseline Projections

The DRIVE Act would authorize $278 billion for a six-year federal highway program. For the first year, FY2016, it would set spending at $43.8 billion, some $2.2 billion more than the Congressional Budget Office (CBO) estimates would be required to maintain the MAP-21 spending level adjusted for inflation. In subsequent years, the DRIVE Act would increase highway spending at a slightly faster rate than CBO's projection of inflation. Thus, in the bill's final year, FY2021, spending would be 7.0% above CBO's baseline level. Over the entire FY2016-FY2021 period, the amount available for federal-aid highway and highway safety construction would be $16 billion more than the $262 billion baseline level calculated by CBO (**Table 1**).

Table 1. DRIVE Act Highway Spending (Obligations) Compared to CBO's Baseline

(Current $ in millions)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2016-FY2021Total
DRIVE Act Obligations		43,816	44,736	45,721	46,773	47,897	49,047	277,990
Baseline Obligations	40,995	41,606	42,338	43,192	44,046	44,940	45,835	261,957
Difference		2,210	2,398	2,529	2,727	2,597	3,212	16,033
% Increase Over Baseline		5.3%	5.6%	5.8%	6.1%	6.5%	7.0%	6.1%

Source: Federal Highway Administration, Congressional Budget Office, CRS calculations.

Notes: Obligations include CBO projected annual obligation limitations plus annual "exempt" obligations of $739 million.

These calculations do not include spending for public transportation programs, which is also authorized in surface transportation bills but is not under the jurisdiction of EPW. The main programmatic change made in the DRIVE Act is the funding of a National Freight Program. The new program is funded at $13.386 billion over six years. This represents 83.4% of the above-baseline funding in the bill.

DRIVE Act Yearly Increases

The EPW Committee achieved most of this spending increase by providing for a 6.9% increase in FY2016. The increases over the remaining years of the bill are smaller, ranging from 2.1% to 2.4% per year (**Table 2**). This appears to assume a slightly higher rate of inflation than projected by CBO, which assumes annual inflation of 2.0% from FY2018 through FY2021, the last four years of the bill.

Table 2. DRIVE Act: Year-over-Year Highway Spending Increases (Obligations)

(Current $ in millions)

	MAP-21 FY2015	DRIVE FY2016	DRIVE FY2017	DRIVE FY2018	DRIVE FY2019	DRIVE FY2020	DRIVE FY2021
Obligations	40,995	43,816	44,736	45,721	46,773	47,897	49,047
Increase over Previous Year		2,821	920	985	1,052	1,124	1,150
Percent Increase, Over Previous Year		6.9%	2.1%	2.2%	2.3%	2.4%	2.4%

Source: CRS calculations based on FHWA data.

Notes: Obligations include obligation limitations plus annual "exempt" obligations of $739 million.

Highway Trust Fund Sufficiency and the DRIVE Act

All of the federal-aid highway program and 80% of the federal public transportation programs are funded out of the Highway Trust Fund (HTF); see CRS Report R42877, *Funding and Financing Highways and Public Transportation*, by Robert S. Kirk and William J. Mallett. The HTF is financed from a number of sources, but roughly 90% of the HTF tax revenues come from excise taxes on motor fuels. The motor fuels taxes have not been raised since 1993. Since September 2008 Congress has provided Treasury general fund and other transfers of $65 billion to the HTF to keep the fund solvent through July 31, 2015.

Projected HTF revenues are insufficient to support continuation of the highway program even at the levels authorized in MAP-21. CBO's March 2015 baseline indicated that the HTF faces a cumulative shortfall through FY2021 of $92 billion. The DRIVE Act would further widen the gap between HTF revenues and spending, unless Congress provides for increased HTF revenues or Treasury general fund transfers to fill the gap. Factoring in various other changes, the cumulative shortfall over the FY2016-FY2021 period would come to around $103 billion. Congress would face decisions about some combination of tax increases, budget offsets, and general fund transfers in order to fully fund the highway program the DRIVE Act would authorize.