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Why Moving Transportation Trust Funds "Off Budget" Threatens Taxpayers

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A provision in the Building Efficient Surface Transportation and Equity Act (BESTEA, also known as H.R. 2400), the bill to reauthorize the Intermodal Surface Transportation Efficiency Act (ISTEA), would shift all transportation trust funds, soon to exceed $50 billion per year, "off budget." This means that transportation trust funds would be exempted from the normal controls in the congressional budget process. These controls include budget caps that limit discretionary spending budget authority and outlays, pay-as-you-go rules, and other statutory budget limitations.

Proponents of this switch claim to be guarding highway tax revenues from being diverted to non-transportation projects or devoted to deficit reduction. But the change would be fiscally irresponsible and short-sighted because it would make sound financial decisions more difficult, weaken congressional oversight, create an even more misleading federal budget, and violate the spirit of the Balanced Budget Act of 1997.

BESTEA already violates previously agreed spending limits. But at least transportation's on-budget status has required choices and offsets, according to sound budgeting principles. During this year's deliberations, Congress has added more than $26 billion to the transportation bill, but it must offset this increase with cuts elsewhere to fulfill fiscal commitments and deficit reduction targets. If transportation trust funds are placed off budget, however, sensible budgeting procedures will be eliminated and numerous other problems will develop. Specifically:

1. **Sound public finance decisions would become more difficult.** As the chairman of the Senate Budget Committee, Pete Domenici (R–NM), noted last year, if transportation funding were moved off budget, "fiscal discipline would not apply, and the growth of [transportation] programs would be unchecked while other programs within the unified budget would bear the burden of additional deficit reduction in order to balance the federal budget." Lawmakers should have to decide whether highway spending should be more important than spending for national security or for programs targeted to the needy and disabled. This legislation would allow them to avoid making such choices in the case of highway spending.

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2. **Congressional oversight of federal programs would be weakened.** Diminished congressional oversight would take away the incentive to improve a program that has not changed fundamentally since its origins in the

1950s. This, in turn, would make more difficult the development and enactment of any of the reform proposals to transfer, devolve, block grant, or give back some of or all the highway revenue and spending authority to states. Once the program was moved off budget, and no longer is subject to annual budget review or periodic authorization, Congress would have fewer scheduled opportunities to review and improve it and, therefore, fewer opportunities to effect needed reforms.

3. **The federal budget would be even more misleading than it is today.** By essentially removing highway funding from the normal presentation of the budget, this change would understate the size of the federal government. In FY 1997, more than $350 billion, or 22 percent of spending, already was off budget. Taking transportation trust funds off budget would add an additional $50 billion to that figure.

4. **The spirit of the Balanced Budget Act of 1997 would be destroyed.** Last year's agreement between Congress and the Clinton Administration established spending caps and a commitment to maintaining a balanced budget through fiscal discipline. To transfer transportation trust funds off budget is equivalent to throwing in the towel in the first round. With the highway program exempt from the budget's discretionary spending caps, the annual appropriations process for transportation programs would be reduced to an empty exercise because any actions taken would not count for purposes of budget scorekeeping or deficit reduction. Moreover, it would not take long before advocates of other programs sought to use same device to evade the budget agreement.

WHAT TO DO

If Members of Congress are inclined to move transportation trust funds off budget, they should do so honestly and completely through a vehicle like the bipartisan legislation being introduced by Senator Connie Mack (R–FL) and the chairman of the House Budget Committee, John Kasich (R–OH). This "opt-out" legislation would give states the opportunity to forego the bureaucracy and mandated "demonstration" projects of the federal government by allowing them to design programs more conducive to their specific needs. Under the Mack–Kasich proposal, it would not matter in practice whether transportation funds were on budget or off budget because each state's share of the federal gas tax would remain in the state—to be spent by the state.

If Congress votes to move transportation trust funds off budget while leaving the power to micromanage highway spending with the federal government, the Clinton Administration would be wise to carry out its threat to veto this fiscally irresponsible measure.

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