HIGHWAY TRUST FUND

Options for Improving Sustainability and Mechanisms to Manage Solvency

What GAO Found

The collection and distribution of funds through the Highway Account is a complex process. Collection involves Treasury receiving excise taxes from business entities, estimating how much should be allocated to the Highway Account, and adjusting the estimated allocation several months later after actual tax receipts are certified. Distribution begins with a multi-year authorization act that provides contract authority and establishes annual funding levels. DOT apportions the contract authority to the states and divides the funding level among federal highway programs and states. DOT then obligates funds for projects and reimburses states as projects are completed.

Improving long-term sustainability is one of GAO’s key principles for restructuring existing transportation programs, and GAO has reported on options for improving sustainability: (1) improve the efficiency of current facilities, (2) alter existing sources of revenue, (3) ensure users are paying fully for benefits, and (4) supplement existing revenue sources, such as through enhanced private-sector participation. Each of these options has different merits and challenges, and will likely involve trade-offs among different policy goals.

Improving existing mechanisms intended to help maintain Highway Account solvency could help DOT better manage the account balance. For example, statutory mechanisms designed to make annual adjustments to the Highway Account have been so modified over time—particularly through changes in SAFETEA-LU—that they either are no longer relevant or are limited in effectiveness. Furthermore, monitoring indicators that could signal sudden changes in revenues could help DOT better anticipate changes in the account balance and communicate with stakeholders on the account’s status. DOT is acting on recommendations GAO made in February, 2009 to help improve solvency mechanisms and communication with stakeholders.

Highway Account Balance, Fiscal Years 1998 through 2010

End-of-year balance (in billions of dollars)

Includes an $8 billion transfer from the General Fund of the Treasury in September, 2008

View GAO-09-845T or key components.
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