



Highlights of [GAO-09-316](#), a report to the Committee on Environment and Public Works, U.S. Senate

Why GAO Did This Study

The Highway Account within the Highway Trust Fund is the primary mechanism for funding federal highway programs. The account—administered by the Federal Highway Administration (FHWA) within the Department of Transportation (DOT)—channels about \$33 billion in highway user excise taxes annually to states for highway projects. Although DOT and others projected that the account could run out of funds in fiscal year 2009, the balance fell more rapidly than expected and a shortfall became imminent in August 2008. In September, Congress passed legislation to provide \$8 billion to replenish the account, but DOT officials anticipate the account could reach a critical stage again in fiscal year 2009.

This report (1) describes the events that led to the decline in the account balance, including how DOT responded, and (2) identifies potential improvements in mechanisms to manage account solvency. This report also includes information on strategies GAO has reported on in the past that could be used to better align account outlays and revenues. To conduct this work, GAO analyzed information in legal and budget documents, reviewed account estimates, and interviewed agency officials and stakeholders.

What GAO Recommends

GAO is making recommendations to help DOT improve solvency mechanisms for the Highway Account and communication on the account’s status with stakeholders. DOT reviewed the draft report and generally agreed with the report’s findings and recommendations.

To view the full product, including the scope and methodology, click on [GAO-09-316](#). For more information, contact Phillip R. Herr at (202) 512-2834 or herrp@gao.gov.

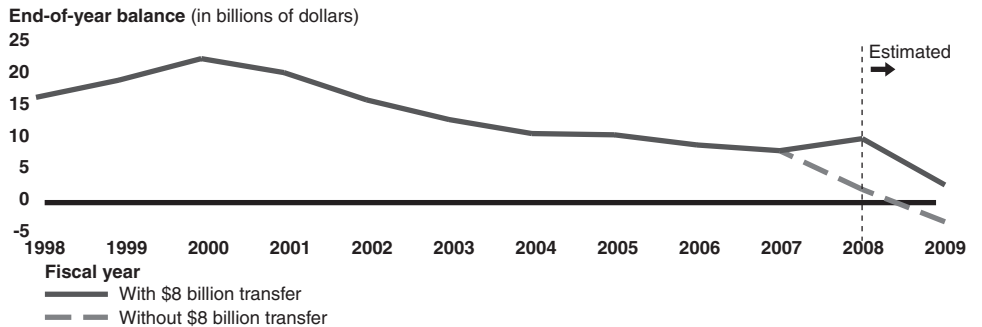
HIGHWAY TRUST FUND

Improved Solvency Mechanisms and Communication Needed to Help Avoid Shortfalls in the Highway Account

What GAO Found

The Highway Account balance declined for several reasons. In 2005, estimated outlays from the account specified in legislation exceeded estimated revenues and, if these estimates were realized over the fiscal year 2005 to 2009 authorization period, would draw the account balance down to about \$0.4 billion by the end of fiscal year 2009. However, actual revenues for fiscal year 2008 were about \$4 billion lower than the estimates due to fewer purchases of trucks and motor fuel—two primary sources of account revenue. In the summer of 2008, DOT received indicators that the Highway Account balance was declining faster than expected and developed cash management practices to slow outlays to states but estimated that the account would remain solvent through the end of fiscal year 2008. Following a large downturn in revenues allocated to the account in August, DOT officials announced on Friday, September 5—three weeks later—that the practices to slow outlays would begin the following Monday, leaving states little time to adjust. DOT officials recognize that communication with stakeholders could be improved and are developing a plan to improve communication.

Highway Account Balance, Fiscal Years 1998 through 2009



Source: GAO analysis of FHWA data.

Improving mechanisms intended to help maintain Highway Account solvency could reduce the likelihood of a funding shortfall. First, statutory mechanisms designed to make annual adjustments to the Highway Account could be modified and implemented to perform better. In fact, DOT analyses prepared at GAO’s request show that these modifications could have prevented or at least signaled the fiscal year 2008 decline. Second, DOT could monitor additional indicators throughout the year—such as changes in vehicle miles traveled—to help anticipate sudden changes in account revenues. Despite improvements in mechanisms, without either reduced expenditures or increased revenues, or a combination of the two, account shortfalls will likely continue. DOT officials noted that improved solvency mechanisms would be effective only if the authorization act better aligns expenditures from the account with revenues. In the past, GAO has reported on strategies that could be used to align expenditures and revenues.