



FY2020 Funding for Transit Could Be Decreased Due to Highway Trust Fund Law

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Unless legislative action is taken, formula funding for the federal transit program could be decreased by approximately \$1 billion in FY2020, [roughly 12%](#) from the amount authorized in the Fixing America's Surface Transportation (FAST) Act (P.L. 114-94). This could lead to reductions in federal grants to local transit agencies for purchases of new buses, railcars, and other facilities, the upkeep of existing facilities, and, in the case of many smaller systems, for operating expenses. In a typical year, almost 80% of federal transit funding is distributed by formula.

The potential funding decrease is due to provisions in the Highway Trust Fund (HTF) law codified at [26 U.S.C. §9503\(d\)](#) and [26 U.S.C. §9503\(e\)\(4\)](#), the original purpose of which was to ensure that programs funded by the trust fund are [sufficiently supported by its revenues](#). The HTF receives money mainly from federal taxes on motor fuels and trucks; about 87% of its revenues flow into a highway account, while 13% are dedicated to the mass transit account. The law mandates quarterly reviews of the financial position of the highway account, commonly known as the Byrd Test, and the mass transit account, commonly known as the Rostenkowski Test.

The tests require the Secretaries of the Treasury and Transportation to monitor the amount of unfunded authorizations at the end of the next fiscal year, in this case FY2020, against estimated receipts of the following four fiscal years (FY2021 through FY2024). If these estimated receipts are less than the unfunded authorizations in either account, the Secretary of Transportation must reduce apportionments associated with the relevant account by the unfunded amount. The same percentage reduction is applied equally across all the programs affected. In the case of the mass transit account, the largest affected programs are the Urbanized Area Formula Program, State of Good Repair Grants, Bus and Bus Facilities Formula Grants, Formula Grants for Rural Areas, and the Enhanced Mobility of Seniors and Individuals with Disabilities Program.

In its [March 2019 Bulletin](#), the Treasury Department reports that the unfunded authorizations (obligated and unobligated contract authority minus the cash balance) in the mass transit account at the end of FY2020 will be \$27 billion, and the four year receipts (FY2021 through FY2024) will be \$26 billion. This approximately negative \$1 billion difference is roughly 12% of mass transit account [contract authority](#) to be apportioned in FY2020. The calculation in the highway account for the same period was positive \$74 billion.

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Depending on when the apportionments are made by the Federal Transit Administration, it is possible that a reestimate of the amounts by the Departments of the Treasury and Transportation will show that the Rostenkowski Test has not been triggered. If a reduction is triggered, Congress could let the reduction take effect or legislate to override it. Potential legislative options to override the reduction include abolishing the relevant provisions in Title 26, waiving the requirement for FY2020, transferring funds into the mass transit account from the highway account, or transferring funds from the general fund into the HTF mass transit account.

Author Information

William J. Mallett
Specialist in Transportation Policy

Robert S. Kirk
Specialist in Transportation Policy

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