



# The Last Exit:

Fixing the Highway Trust Fund  
while Solvency is still Solvable



PART 4: CLOSING THE TRUST FUND GAP BY REDUCING  
FEDERAL SPENDING

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This is part 4 of the full report. To read or download the full report online, go to <https://enotrans.org/the-last-exit>.

# Part 4: Closing the Trust Fund Gap by Reducing Federal Spending

The Highway Trust Fund has access to significant dedicated tax revenues of around \$50 billion per year. Some believe that this amount of taxation should be sufficient to support all highway and mass transit programs of truly federal concern.

**Table 11: CBO February 2026 HTF Baseline Revenue Forecast**

*(Billions of dollars; assuming expiring taxes extended indefinitely)*

	18.3 cpg Gas	24.3 cpg Diesel	12% Trucks & Trailers Tax	Heavy Tires	Heavy Vehicle Use Tax	Net Total
FY26	28.2	10.5	5.9	0.8	1.7	47.2
FY27	28.6	10.5	6.2	0.8	1.7	48.0
FY28	28.8	10.6	6.5	0.8	1.8	48.6
FY29	28.9	10.7	6.7	0.8	1.8	49.1
FY30	29.0	10.8	7.0	0.8	1.8	49.6
FY31	29.0	10.8	7.3	0.9	1.9	50.0
FY32	29.1	10.9	7.6	0.9	1.9	50.5
FY33	29.1	11.0	7.9	0.9	1.9	51.0
FY34	29.2	11.0	8.2	0.9	2.0	51.5
FY35	29.2	11.1	8.6	0.9	2.0	52.0
FY36	29.3	11.2	8.9	0.9	2.0	52.5

Source: Eno Center for Transportation table

If Congress were to decide to make the Highway Trust Fund solvent once more solely by reducing spending, a dizzying number of policy decisions would be required—which programs to protect, which programs to target for reduction or elimination, and how to deal with the various political and economic consequences of each program cut or killed.

But all of those policy decisions are subject to one mathematical truism: Highway Trust Fund capital programs spend their money very, very, very slowly, and because of this, spending cuts ordered by Congress take years to be fully realized through reduced outlays.

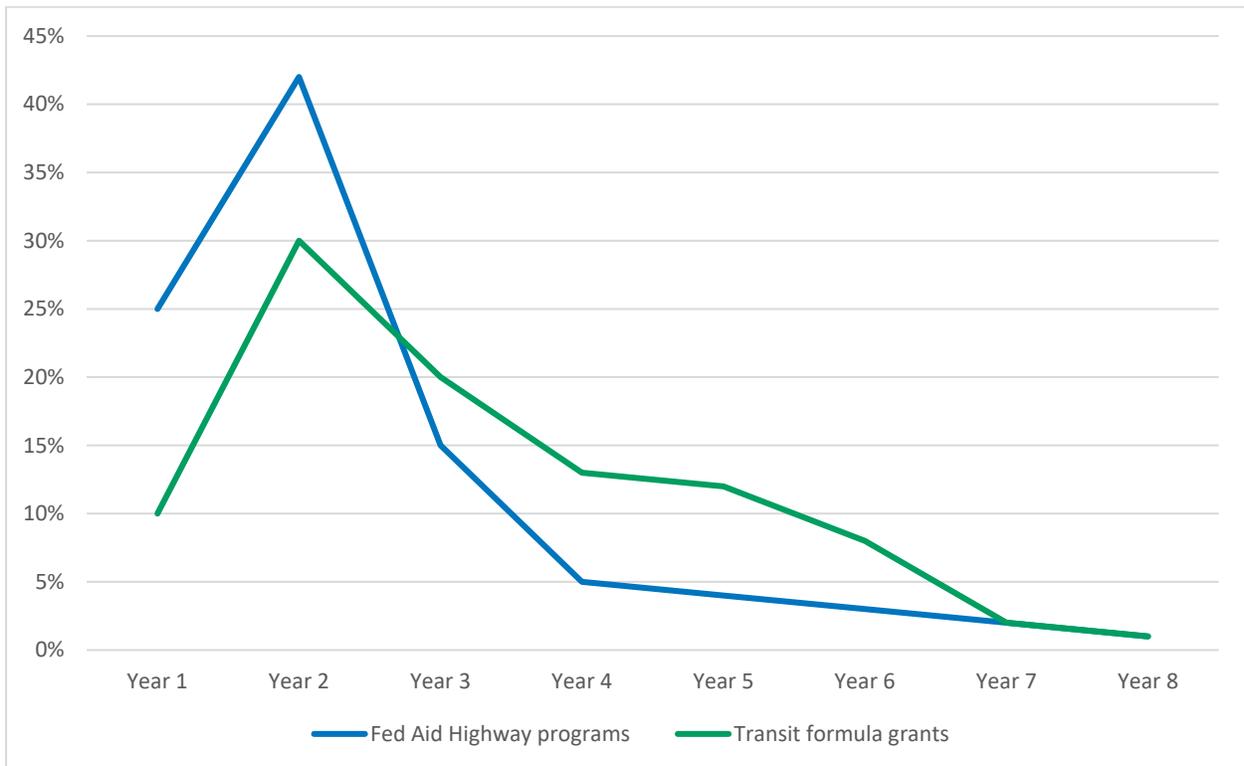
Congress can only control the rate at which new contracts and other spending commitments are finalized, not the time which non-federal partners take to spend funds available through previously signed contracts. For every dollar in new contract authority and obligation limitation provided by Congress in legislation for a given fiscal year, CBO

estimates how much of that dollar “spends out” via outlays in that first year and in every subsequent year.<sup>i</sup>

For example, by far the largest budget account funded by the Highway Trust Fund is Federal-Aid Highways, which constitutes the bulk of the Federal Highway Administration’s budget. CBO estimates that 25 cents of every new dollar of obligation authority leaves the Treasury as outlays in the first year that the new authority is available.

The 25 percent first-year outlay rate means that, if Congress wanted to reduce HTF outlays from the Federal-Aid Highways account by \$5 billion in the upcoming year, they would have to reduce new contract authority and obligation limitations on the account by \$20 billion in that first year.

**Figure 7: Expenditure, by Year, of New Formula Grant Obligation Authority**



*Source: Eno Center for Transportation. Source Data CBO Estimates*

<sup>i</sup> When an agency obligates funding, they incur a legally binding commitment; the outlay occurs when the agency settles that obligation. While outlays can take many years, the agencies ensure that funding is obligated up to the authorized level for that year.

The only mass transit budget account funded out of the HTF is now Transit Formula Grants, and it spends out even more slowly than does the highway program, with a 10 percent first-year outlay rate.

**Highway Trust Fund capital programs spend their money very, very, very slowly, and because of this, spending cuts ordered by Congress take years to be fully realized through reduced outlays.**

If Congress wanted to reduce HTF outlays from Transit Formula Grants by \$5 billion in the upcoming year, they would have to reduce new contract authority and obligation limitations by \$50 billion in that year, which is impossible, since new spending authority only adds up to around \$15 billion per year. Any spending cuts to mass transit will take several years to be fully realized.

### Highway Account: Spending Cuts Needed for Solvency

Below are the assumptions for new spending authority for the Highway Account of the Highway Trust Fund in the Congressional Budget Office’s February 2026 baseline forecast.<sup>1</sup> These are the levels in effect for fiscal year 2026 at the time the baseline assumptions were “locked” (January 14, 2026, when a continuing resolution at 2025 levels was in effect), plus annual inflation increases. The table also shows the estimated Account outlays and end-of-year balances.

**Table 12: HTF Highway Account Baseline Assumptions**

*Millions of dollars*

	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>FY31</b>
FHWA (Limitation)	61,314	62,795	64,213	65,571	66,868	68,226
FHWA (Exempt from Limit)	739	739	739	739	739	739
FMCSA Operations	383	396	409	421	433	446
FMCSA Grants	526	539	551	562	573	585
NHTSA Operations	205	211	216	222	227	232
NHTSA Grants	831	851	870	888	906	924
Subtotal, New Obligations	63,999	65,531	66,998	68,403	69,746	71,152
Translates to These Outlays	61,814	63,563	65,009	65,175	65,305	65,572
End-of-FY Account Balance	36,386	14,537	-8,785	-31,864	-54,630	-77,228

*Source: CBO February 2026 HTF Highway Account Baseline Assumptions*

For this exercise, we will leave the baseline assumptions for FMCSA and NHTSA accounts intact, because (a) the official message at USDOT, from the Secretary on down, is safety first, and (b) everything else in the Highway Account but the main FHWA account adds up to a rounding error by comparison.

**An immediate \$22 billion spending reduction from baseline followed by increasing annual reductions up to \$25 billion below baseline by 2031 would ensure Highway Account solvency**

We ran various scenarios for reduction of the Federal-Aid Highways obligation limitation in half-billion-dollar increments, looking for the smallest reduction that would allow a five-year reauthorization bill that ended up with both an end-of-2031 Highway Account balance of at least the \$4 billion cash cushion, and a relatively solvent trend line after 2031.

**Table 13: Making the HTF Solvent Again Solely Through Spending Cuts – Highway Account**

*Millions of dollars*

	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>FY31</b>
Baseline Federal-Aid Highways Ob. Limit.	62,795	64,213	65,571	66,868	68,226
Reduce limitation by this amount below baseline	-22,000	-22,500	-23,500	-24,500	-25,000
Resulting Federal-Aid Highways Ob. Limit.	40,795	41,713	42,071	42,368	43,226
Results in Highway Account outlays being reduced from baseline by this amount	-5,500	-14,865	-18,625	-20,470	-22,070
Which results in end-of-FY Highway Account balances at these levels	20,036	11,580	7,127	4,830	4,302

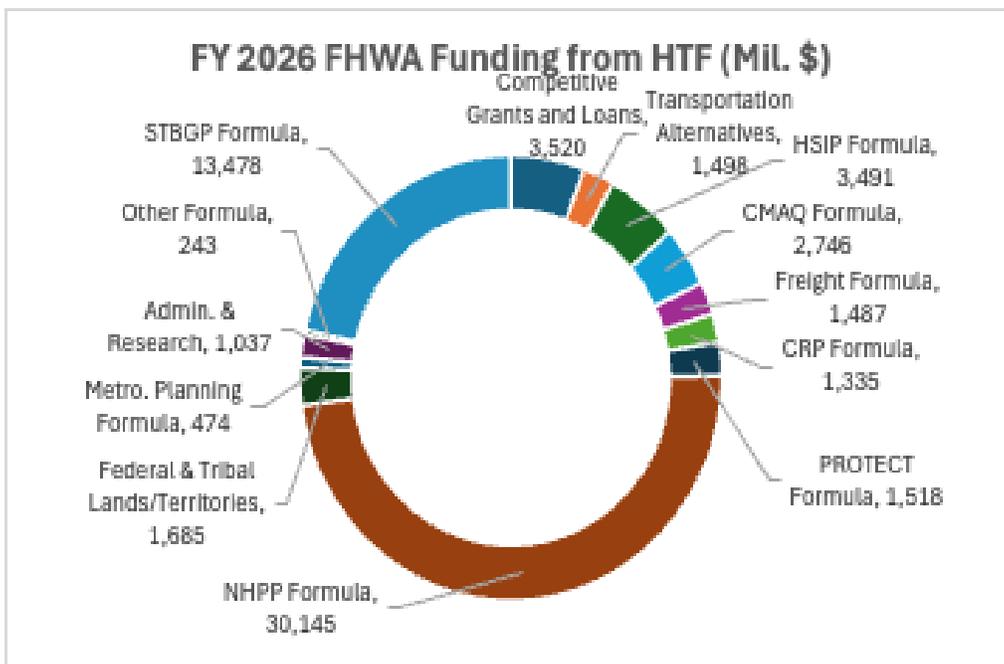
*Source: Eno Center for Transportation*

We found that an immediate \$22 billion reduction from baseline, with continuing reductions on an annual basis until it reached a \$25 billion reduction relative to baseline in 2031, was the minimum necessary to ensure Highway Account solvency solely by means of spending reductions.

Identifying \$22 billion in spending reductions from the Federal Highway Administration budget would not be an easy task, especially if one anticipates needing 218 votes in the House and 60 votes in the Senate for a bill implementing those reductions. The following donut chart divides that funding into major programs and categories. This will give the reader a sense of the relative difficulty in identifying \$22 billion per year in program reductions from this level.

Figure 8: FY 2026 FHWA Funding from HTF

Millions of dollars



Eno Center for Transportation

### Mass Transit Account: Spending Cuts Needed for Solvency

For the Mass Transit Account, it is already too late to forestall insolvency by relying on future spending cuts alone. This is because the Mass Transit Account is more underfunded relative to authorized spending than the Highway Account. While CBO projects that highway account tax receipts will cover 65 percent of spending from the highway account for the next decade, for the transit account, the dedicated taxes will cover only 36 percent of spending.

Spending levels have already been set in law for fiscal year 2026—the final year of the IIJA. CBO estimates that the Mass Transit Account will reach a zero balance in mid-2027 and finish that fiscal year \$2.7 billion in arrears. Add to that a \$1 billion “cash cushion” to keep the Account from running dry on a day-to-day basis while awaiting twice-monthly tax deposits towards the end of the year, and FY 2027 outlays would have to be reduced by \$3.7 billion to stave off insolvency.

However, the slow spend-out of mass transit programs means that the majority of outlays in 2027 will be for contract authority that was authorized two to five years previously, and unaffected by the level of new authorized obligation authority. The baseline amount of new obligation authority for Trust Fund transit programs in 2027 is only \$14.6 billion. So with agencies converting only 10 percent of new spending authority into outlays in year one, the maximum reduction of new spending that could

be achieved (e.g. by zeroing out all new obligation authority in FY27) would still only achieve a \$1.46 billion reduction in outlays, which is less than half of the \$3.7 billion spending reduction required.

**The past underfunding of the Transit Account means  
it's not possible to forestall insolvency by relying on  
future spending cuts alone**

Even if you were to zero out all new Mass Transit Account spending starting in 2027, while still maintaining the existing revenues, the account would still need an estimated \$8.5 billion bailout or revenue increase in 2027 in order to pay the bills incurred prior to 2027. Even with no new spending authority in the out years either, the account's end of year balances would not start (i.e., become less negative) to grow until 2030.

**Table 14: Making the HTF Solvent Again Solely Through Spending Cuts – Transit Account**

*Millions of dollars*

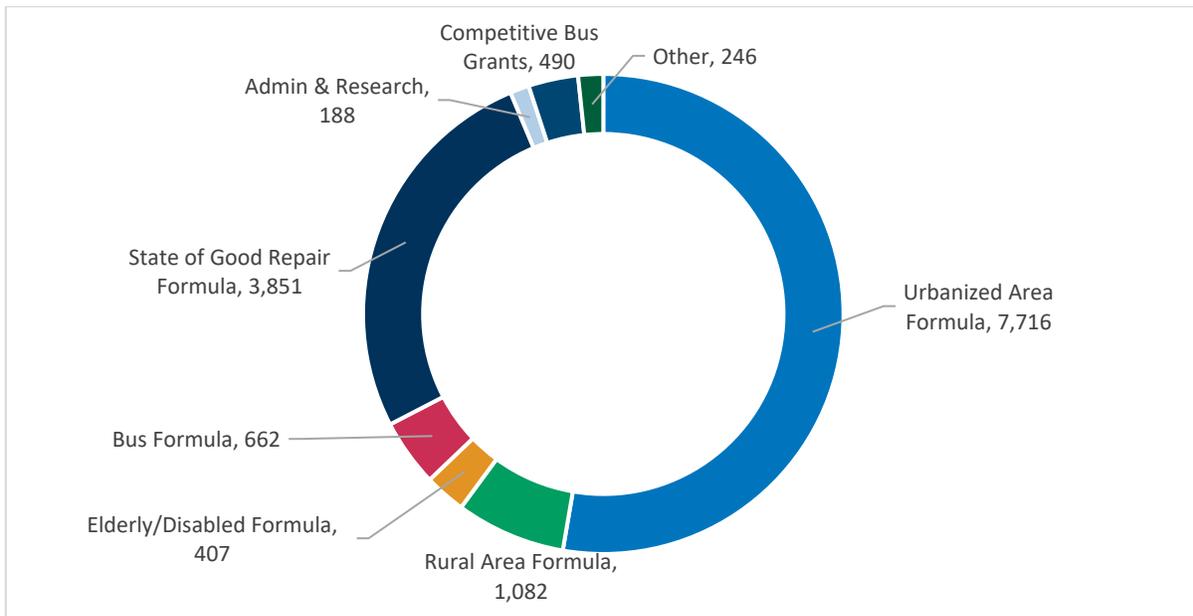
	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>FY31</b>
Baseline Transit Formula Grants ob. Limit	14,622	14,950	15,264	15,564	15,878
Reducing Transit Formula Grants obligation limitation by this amount vs baseline	-14,622	-14,950	-15,264	-15,564	15,878
Resulting Transit Formula Grants ob. Limit	0	0	0	0	0
Results in Mass Transit Account outlays being reduced from baseline by this amount	-1,462	-5,882	-8,936	-11,026	13,008
Which results in end-of-FY HTF Mass Transit Account balances at these levels	-1,274	-6,159	-7,399	-6,418	-3,509

*Source: Eno Center for Transportation*

Even more so than the highway program, the mass transit program funded out of the HTF is almost exclusively formula-driven, and the bulk of the money goes straight to hundreds of local governments. Identifying specific programs to cut quickly becomes politically problematic.

Figure 9: FY 2026 FTA Funding from HTF

*Millions of dollars*



*Eno Center for Transportation*

## Combined HTF Accounts Solvency by Resetting Distributions and Cutting all Spending

Due to this imbalance between spending and receipts in the Mass Transit Account, the only way to close the shortfall by cutting spending, without new revenues or further bailout transfers from the General Fund, would be to reset the distribution of current tax revenues between the Highway Account and Mass Transit Account or to remove the distinction altogether.

**Making the whole HTF solvent through spending cuts alone would require resetting the distribution between highway and transit accounts and reducing spending from both accounts by 48 percent.**

We estimate that if Congress wanted to reduce funding to transit and highways sufficiently to close the deficit and to make those reductions at an equal rate, the highway and transit obligation limitation would both have to be reduced by 48 percent immediately. That's the equivalent of a \$30.1 billion first-year cut to annual highway programs and a \$7.0 billion first-year cut to annual transit programs. This \$194 billion

reduction to new spending commitments over five years would save \$129 billion in outlays by the end of 2031, narrowly averting insolvency at baseline tax revenues.

**Table 15: Making the HTF Solvent Solely Through Spending Cuts – Blending the Accounts and Making Proportional Cuts in Highways and Mass Transit**

*Billions of dollars*

	FY26	FY27	FY28	FY29	FY30	5 year
Baseline Highway Ob. Limit	62.8	64.2	65.6	66.9	68.2	327.7
Reduce by 48 Percent	-30.1	-30.8	-31.5	-32.1	-32.7	-157.3
Scenario Highway Ob. Limit	32.7	33.4	34.1	34.8	35.5	170.4
Baseline Mass Transit Ob. Limit	14.6	15.0	15.3	15.6	15.9	76.3
Reduce by 48 Percent	-7.0	-7.2	-7.3	-7.5	-7.6	-36.6
Scenario Mass Transit Ob. Limit	7.6	7.8	7.9	8.1	8.3	39.7
Unified Baseline Beginning-of-FY Balance	44.6	20.0	9.1	5.5	5.4	
Unified Baseline Receipts and Interest	48.7	48.7	49.1	49.6	50.0	246.0
Unified Baseline Outlays	-81.5	-82.7	-82.3	-82.4	-82.7	-411.7
48% cut Scenario Unified Outlays	-73.3	-59.5	-52.7	-49.7	-47.3	-282.6
48% cut Scenario Unified End-of-FY Balance	20.0	9.1	5.5	5.4	8.0	

*Eno Center for Transportation. Data Source: CBO February 2026*

<sup>1</sup> Congressional Budget Office. (2026, February). *The budget and economic outlook: 2026 to 2036*. U.S. Congress. <https://www.cbo.gov/publication/>