



TO: PETE RUANE

FROM: WILLIAM BUECHNER, VP, ECONOMICS AND RESEARCH

DATE: AUGUST 29, 2012

RE: IMPACT OF PROPOSED CAFÉ STANDARDS ON HTF REVENUES

On August 28, the U.S. Department of Transportation and Environmental Protection Agency published a rule that will increase the Corporate Average Fuel Economy (CAFÉ) standards for cars and light trucks from 34.1 miles per gallon in 2016 to a fleet-wide average just under 50 mpg by 2025.

The attached table shows the potential impact of these and earlier increases in CAFÉ standards on Highway Trust Fund (HTF) revenues through 2025.

Table 1 - Impact of All CAFÉ Changes Enacted Since 2004
(Millions of dollars)

Fiscal Year	Estimated Annual HTF Revenue loss	Revenue Loss as Percent of Proj. HTF Revenues	Estimated Highway Account Revenue loss	Estimated Transit Account Revenue loss
2010	\$343.4	0.9%	\$291.9	\$51.5
2011	\$550.3	1.4%	\$467.8	\$82.6
2012	\$885.9	2.2%	\$753.0	\$132.9
2013	\$1,279.2	3.1%	\$1,087.3	\$191.9
2014	\$1,711.5	4.1%	\$1,454.8	\$256.7
2015	\$2,213.4	5.2%	\$1,881.4	\$332.0
2016	\$2,787.4	6.5%	\$2,369.2	\$418.1
2017	\$3,406.5	7.9%	\$2,895.5	\$511.0
2018	\$4,062.5	9.4%	\$3,453.1	\$609.4
2019	\$4,729.3	10.9%	\$4,019.9	\$709.4
2020	\$5,543.0	12.6%	\$4,711.5	\$831.4
2021	\$6,462.1	14.5%	\$5,492.8	\$969.3
2022	\$7,638.6	16.9%	\$6,492.8	\$1,145.8
2023	\$8,790.1	19.2%	\$7,471.6	\$1,318.5
2024	\$10,054.4	21.6%	\$8,546.3	\$1,508.2
2025	\$11,438.7	24.3%	\$9,722.9	\$1,715.8
Total	\$71,896.4		\$61,111.9	\$10,784.5

The table assumes the required increases in CAFÉ standards will occur according to the timetable published on page 61 of the final rulemaking. The baseline for calculating revenue losses is the U.S. Treasury's February 2009 projections of HTF revenues. As new cars and light trucks are purchased in the future and old ones retired, average fuel economy will improve, reducing the 2009 forecast of gasoline sales and HTF revenues by the amounts shown in the table. The baseline for computing percentage losses is total HTF revenues¹.

¹ Total HTF revenues also include revenues from taxes on diesel fuel and sales of large trucks, which will be unaffected by the new CAFÉ standards. If the baseline were only gasoline tax revenues, the percentage loss would be even larger.