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[ISTEA [Intermodal Surface Transportation Efficiency Act]] [loose] [1]

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ISTEA

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Acting Director

SUBJECT: Cancellation of Spending Items in the Transportation Equity Act for the 21st Century -- DECISION

This memorandum discusses whether you should use your line item veto authority to cancel items in H.R. 2400, the Transportation Equity Act for the 21st Century, which you signed into law on June 9. Your last day to cancel items in this bill is Monday, June 15.

We have reviewed the Act to determine if there are any seriously objectionable direct spending or tax items that would be candidates for use of your line item veto authority. The transportation "demo projects" in the Act are not direct spending items and are therefore not subject to item veto.

However, the bill includes one direct spending item that is seriously objectionable. The provision addresses temporarily -- for new student loans made between July 1, 1998 and October 1, 1998 -- a problem in current law regarding how rates are set for students and lenders for new loans made after July 1. The bill adopts the same low interest rate for students proposed by the Administration, but would require taxpayers to pay lenders an unnecessary 50 basis point subsidy on each new guaranteed loan. A recent Treasury analysis, the results of which were confirmed by the Congressional Budget Office, shows that a 50 basis point subsidy will provide banks a rate of return far in excess of the level needed to maintain their participation in the guaranteed loan program.

OMB estimates this will cost $298 million in outlays for loans made during the three month period. CBO estimates this provision will cost $90 million in outlays. The bill includes a budget scoring waiver designed to ensure that budget offsets in the bill are available only for transportation spending. This waiver also relieves Congress from the requirement to offset the costs of the student loan provision.

The Administration opposed the student loan interest rate provision because its statutorily-set lender subsidies are excessive and ignore promising market-based approaches for determining appropriate lender returns. OMB and the Departments of Education and Treasury are working with Congress on a possible amendment to the pending higher education bill that would authorize pilots of an auction-based system to demonstrate that market forces can be harnessed to lower Federal costs over the long term while ensuring loan availability to all students.

Despite our strong opposition to the interest rate provision in H.R. 2400, we do not recommend its cancellation. If the provision were vetoed, some lenders, to put greater pressure on the Administration to agree to including the excessively high subsidy level in permanent law, might withdraw from the program, requiring the Education Department to make alternative arrangements to maintain loan access. Doing so would increase uncertainty in the higher education community regarding availability of student loans, and require Education to begin implementing emergency procedures to ensure all eligible students receive loans if some lenders chose to withdraw. Because the new interest rate structure will be in effect for only three months, enactment of this provision need not preclude agreement in the higher education bill on a less costly, long-term solution that moves toward a market-based system.

Tax Benefits

In addition, the bill contains a provision stating that the Joint Committee on Taxation has determined that there are no limited tax benefits in the bill. Under the Line Item Veto Act, such a statement is conclusive, and prevents your use of the LIV on any tax provision in the bill even if we determined that the bill contained such a provision. Therefore, none of the tax provisions in the bill are subject to item veto.

Recommendation

We do not recommend cancellation of any direct spending or tax items in the Transportation Equity Act for the 21st Century.

Decision

Agree ________

Let's discuss ________

CM
Be all over this
GS 7/31/98

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Acting Director

SUBJECT: Technical Corrections to the Transportation Equity Act (TEA)

Erskine asked us to give you a status report on the technical corrections we need in the highway bill. The enrolled bill includes several errors, primarily in the sections on penalties for drunk driving and the veterans tobacco provision.

Highway Safety Errors

Congress is already planning to pass a technical corrections bill for the TEA to correct two other important errors in the bill. In the highway safety area, they failed to include incentives for states to adopt both tougher repeat offenders laws and laws prohibiting the carrying of open alcohol containers in vehicles.

Veterans Tobacco

Our agreement with the Congress was to finance $17 billion in new spending in the TEA bill with an Administration savings proposal to reverse a 1997 Veterans ~~Affairs (VA) General~~ Counsel opinion that veterans are entitled to disability benefits for smoking-related disabilities acquired **after** service, and due **solely to** nicotine dependence begun in the military.

The rationale for the proposal was as follows:

- **We would continue to compensate veterans for smoking-related illnesses that became ~~manifest~~ *during* military service.** However, awarding compensation for tobacco-related illnesses acquired *after* military service -- frequently decades later -- and based *solely* on claims of nicotine addiction beginning during service goes well beyond the purposes of the veterans ~~disability program.~~ In addition, under your proposal, veterans *currently receiving* benefits and veterans *with claims in the pipeline* prior to enactment *would not* lose benefits by the change.

- **The payment of these tobacco claims threatens to put a severe strain on the system.** VA projects some 540,000 claims for tobacco benefits could be filed. The time to process a claim could more than double, and the total number of backlogged claims in the system would grow from less than a half million (currently) to over 2 million in FY 2000, *affecting all veteran claims regardless of the cause.*

- **These are not traditional VA benefits.** Veterans never had them before the VA General Counsel opinion. In 1990, Congress took a similar action regarding drug and alcohol use during military service.

However, instead of including the precise language proposed by the Administration, which had been drafted carefully to reverse the opinion and not affect any other veterans benefits, the Congress included different language at the last minute without consulting with us. This new language included several technical errors, including:

- denying disability benefits for tobacco-related diseases that become manifest in service;

- eliminating possible benefits for over 7,000 veterans with claims who filed for benefits before the law changed;

- pushing Persian Gulf, Agent Orange and indigent veterans out of the medical care system, by giving top-priority status to veterans who acquired tobacco-related illnesses long after leaving military service;

- requiring adjudicating 540,000 claims, which would double processing time for all disability claims regardless of cause -- creating a backlog of 2 million claims by FY 2000;

- grouping tobacco dependency with "wilful misconduct" similar to drug and alcohol abuse, potentially absolving the industry from further liability claims; and

- possibly allowing survivors to receive benefits not granted to the veterans themselves.

These combined errors make the bill save ***more*** money than originally intended, primarily by denying benefits that were not ~~meant to be~~ suspended. We estimate that they increase the savings in the bill from $17.0 billion to $17.8 billion.

We have suggested that Congress pass a technical corrections bill that replaces the current, incorrect language with our original legislative proposal. We understand that the veterans committees support correcting the mistakes in the bill and may be willing to adopt our original language, although they are concerned about opposition from veterans groups if they try to cancel the benefits for survivors.

However, if Congress instead passes a technical corrections bill to reinstate the inadvertently canceled benefits ***without*** also canceling the benefits for survivors, the savings in the bill drop by $1.9 billion from $17.8 billion to $15.9 billion -- $1.1 billion less than the amount ~~we need to~~ finance the new highway programs. Such a technical corrections bill, which would pass overwhelmingly, would effectively spend $1.1 billion of the surplus -- putting the surplus at risk for spending on other items and negating your policy to not spend the surplus until Social Security is fixed.

In the event that the Congress does not enact an adequate technical corrections bill, we are trying to develop an administrative option that would interpret the ambiguous language in TEA to eliminate these benefits. However, VA's General Counsel is not yet prepared to eliminate benefits for survivors administratively. We are working with VA to determine if an administrative option exists. However, we have told Congressional staff that it is not certain that will be able to address the survivors issue administratively.

Conclusion

We should know more about the status of the technical corrections bill on Monday ~~or~~ Tuesday. They are most like to fix these problems with our language if they do it quickly.

PRESIDENT CLINTON'S ACCESS TO JOBS PROPOSAL:
THE ROAD FROM WELFARE TO WORK

Access to Economic Opportunity. President Clinton is breaking the cycle of dependency, strengthening our communities and ending welfare as we know it. His three-part economic strategy -- balancing the budget, investing in our people, and opening up new markets to American goods and services -- has helped build the strongest economy in a generation. Since 1993, welfare rolls have dropped to their lowest level in 27 years and nearly 15 million new jobs have been created. We need to ensure that welfare recipients and other low-income families can make the most of these opportunities.

The Challenge of Transportation for Those Moving from Welfare to Work. Many welfare recipients and low-income workers have difficulty accessing jobs, training, and other services because of inadequate transportation. Two-thirds of all new jobs are in the suburbs, but three of four welfare recipients live in rural areas or central cities. Few welfare recipients own cars, and public transit systems often do not adequately serve new suburban job centers, nor do they adequately serve workers who have evening and weekend shifts. Forty percent of rural counties have no public transportation at all. *Welfare recipients can't go to work if they can't get to work.*

The President's solution: Access to Jobs. President Clinton has proposed a solution to help people get to where the jobs are: "Access to Jobs." This competitive grant program would provide flexible resources to assist states and communities as they develop innovative transportation alternatives such as vanpools and late-night and weekend services for low-income workers and those moving from welfare to work. It would foster partnerships between transportation and human services agencies, and support the capital and operating costs of new services. Access to Jobs would build on and leverage other transportation resources by requiring a dollar-for-dollar match.

Taking the Next Step. The House and Senate versions of the Federal legislation to reauthorize federal highway and transit programs include President Clinton's Access to Jobs proposal as a six-year, $150 million-a-year initiative. Congress must finish the job by ensuring that the Access to Jobs program is adequately funded in the FY 1999 budget.

Overview of DOT's Disadvantaged Business Enterprise Program

The Disadvantaged Business Enterprise (DBE) program is the way state highway agencies and transit authorities make sure that DBEs have a fair opportunity to compete for DOT-assisted contracts. The program has increased DBE participation in highway construction from 1.9% in 1978 to 14.8% in 1996 - accounting for approximately $2 billion of the $14 billion in DOT-assisted highway construction.

The Statute and Regulations

- The statutory DBE program was first passed in 1982, expanded to include women-owned businesses in 1987 and continued in ISTEA in 1991.
- The statutory requirement is that, unless the Secretary determines otherwise, not less than 10% of highway and transit funds authorized are to be spent with the DBEs. DOT's regulations do not require or impose set-asides of any kind.
- ISTEA defines a DBE as a small business owned by a socially and economically disadvantaged individual and creates a rebuttable presumption that women and members of designated minority groups are socially and economically disadvantaged.
- The regulations outline program eligibility, certification guidelines and reporting requirements.
- DOT's regulations require each state and local government recipient of transportation funds to have a DBE program designed to ensure equal opportunity and fair participation for DBEs.

How the DBE Program Works

- State and local government recipients of DOT funds administer the DBE program. Each year, they determine how much DBE participation is reasonable to expect based on the availability of DBEs and the types of work involved. The recipient's annual goal may be more or less than the national 10% goal established by Congress, providing flexibility to reflect local conditions.
- Recipients use a variety of methods to meet their annual goals, including contract goals, outreach and technical assistance. DOT has never sanctioned a state for failure to meet its annual goal.
- Contract goals are not operated as quotas because they only require that the prime contractor make "good faith efforts" to find DBEs. If the prime contractor cannot find qualified and competitive DBEs, the goal can be waived.
- The program is limited to small businesses owned by individuals who are socially and economically disadvantaged.
- To make sure that "fronts" do not take advantage of the program, state and local agencies conduct thorough reviews and on-site investigations to ensure that DBE firms are really owned and controlled by socially and economically disadvantaged individuals. This eligibility process also makes sure that only small businesses are certified as DBEs.

Paving the Road to Equal Opportunity: The Need for DOT's Disadvantaged Business Enterprise Program

September 15, 1997

Ensuring Equal Opportunities

- For over a decade, DOT's Disadvantaged Business Enterprise (DBE) Program has been providing equal opportunities for women and minorities competing for highway and transit contracts.

- Since its inception, the DBE program has significantly increased the percentage of women and minority-owned construction firms that are building our nation's highways.

- By reaching out to women and minority-owned firms and fostering business relationships, the program has countered the effects of discrimination and good old boy networks which have been road blocks for many firms.

- Unfortunately, discrimination in the construction industry and financial markets continues to prevent women and minority-owned firms from reaching their full potential. For example, white-owned construction firms receive 50 times as many loan dollars as black-owned firms with identical equity.

- As a result of continued discrimination, women and minority-owned firms remain underrepresented in the construction field, even today.

- Now is not the time to discontinue DOT's equal opportunity program. It is still essential in paving the road to equal opportunity for too many disadvantaged firms.

Rejecting Quotas

- The DBE program does not use quotas or set-asides of any kind. It relies only on flexible goals. In fact, it was President Reagan who first signed the program into law.

- The statute simply sets a national goal: that 10% of highway and transit funds be used for services rendered by disadvantaged businesses. State and local governments then set their own goals based on the numbers of disadvantaged businesses in their local markets.

- The goals are flexible. For example, if a prime contractor cannot find a qualified disadvantaged business, the state can waive the goal entirely.

Mending...

- The Supreme Court, in Adarand, changed the affirmative action landscape. but did not say the DBE program was unconstitutional. In fact, by a vote of 7-2, the Court said that the federal government can still use affirmative action programs to combat the "lingering effects of racial discrimination."

- Simply put, Adarand requires that federal affirmative action programs must be "narrowly tailored" to meet a "compelling government interest."

- In the only ruling since the Supreme Court's decision, a trial court in Denver said Congress had sufficient evidence showing that there was a compelling need for the program.

- Although the lower court's ruling -- now on appeal -- claimed the program was not carried out in a "narrowly tailored" manner, the Department of Transportation has already proposed ways to mend it to ensure that it remains constitutional.

- Under the proposal, the program will require "race-neutral" measures, such as outreach and technical assistance, before "race-conscious" measures are used. And, it will stress that good faith efforts are all that is needed to meet the goals.

- The proposal will also ensure that any goals that are set properly reflect the percentage of qualified disadvantaged businesses available in a given market.

Not Ending...

- DOT's equal opportunity program benefits all Americans by promoting the formation of small businesses, creating new jobs, fostering economic growth and stimulating innovation.

- If Congress decides not to reauthorize the DBE program in the NEXTEA bill, it will create a major disruption in the national economy. Thousands of small businesses may go out of business, costing tens of thousands of jobs.

- In the past, when state or local governments cut similar DBE programs, opportunities for women and minority-owned firms dried up. Prime contractors, in effect, told disadvantaged business owners, "We'll call when we need a minority."

- By refusing to reauthorize the DBE program, Congress will be creating a huge pot hole in the road to equal opportunity.

MYTHS AND FACTS:
DOT's Disadvantaged Business Enterprise Program

MYTH: **There is no longer a need for a DBE program.**

FACT: Yes there is. Minority and women-owned businesses are still under-represented in the construction industry. Minority-owned firms represent 9% of all construction firms, yet they receive only about 5% of all business receipts. Women own one third of all firms, yet get only 19% of the business receipts. Discrimination in both contracting and in access to capital in the financial markets continues to limit the ability of minority and women-owned firms to reach their full potential. For instance, white-owned construction firms receive 50 times more loan dollars than black-owned firms with identical equity.

MYTH: **The DBE program is a quota program.**

FACT: False. There are no quotas or set-asides of any kind in DOT's DBE program. The 10% goal is a national target for DOT; state and local recipients of DOT funding set their own goals for DBE participation in construction projects based on the availability of disadvantaged businesses in their markets. There is never an absolute requirement that a goal be met.

MYTH: **The DBE program leads to unqualified companies getting contracts.**

FACT: If a prime contractor cannot find a qualified and competitive disadvantaged business for a project, it can still get the contract. The goal for the project can be waived because all that is required of the contractor is "good faith" efforts to find qualified DBEs.

MYTH: **In construction, the lowest bidder always gets the subcontract.**

FACT: Often subcontracting opportunities are dependent on established business relationships, preventing new women and minority-owned firms from getting the chance to compete for work. The DBE program promotes the kind of business relationships that women and minority-owned firms will need to compete on their own in the future.

MYTH: **The DBE program is just another liberal Democrat program.**

FACT: Actually, although the DOT established similar equal opportunity programs in the 1970's, it was under the Reagan Administration that the minority business enterprise program was created in 1982 and expanded to include women-owned businesses in 1987.

MYTH: **The Supreme Court said the DBE program is unconstitutional.**

FACT: Not true. The Supreme Court did not rule on the program itself. Instead, in Adarand, the Court established a new standard of review, called "strict scrutiny." By a 7-to-2 vote, the Court ruled that the federal government can still use affirmative action programs to combat the "lingering effects of racial discrimination."

MYTH: **The program must end because the District Court ruled it was not constitutional.**

FACT: On remand, the Adarand district court accepted Congress' determination that there was a compelling need for the program, but decided that the program was not sufficiently narrow in its scope. That decision did not consider ways DOT has proposed to modify the program. The new proposal properly tailors the program and will require "race-neutral" measures, such as outreach and technical assistance, before "race-conscious" measures are used. And, it will stress that good faith efforts are all that is needed to meet the goals. It also will ensure that any goals that are set properly reflect the percentage of qualified disadvantaged businesses available in a given market.

MYTH: **The DBE program drains the economy and adds to construction costs.**

FACT: Actually, the DBE program helps the economy by promoting the formation of small businesses, creating new jobs, fostering economic growth and stimulating innovation. Because of the proliferation of small businesses, the program increases competition for contracts and often reduces construction costs.

MYTH: **If a DBE is really qualified, it doesn't need the program to compete.**

FACT: Even qualified DBEs often need the program just to get a chance to bid on a contract. For instance, in Louisiana, where there is no state DBE program, there are 165 qualified DBEs available for construction subcontracting. On federal-aid projects, where the DBE program ensures equal opportunity, those firms were able to prove their ability by getting 125 contracts (worth 5.3% of the federal-aid construction dollars). On state construction projects, those same firms were only given the opportunity to perform 12 contracts, worth only 0.2% of state highway construction dollars.

MYTH: **The time has come to end DBE programs.**

FACT: When DBE programs end, many prime contractors return to the same exclusionary practices that denied women and minorities the chance to compete for business before the DBE program was created. In Michigan, for example, within 9 months of ending the state DBE program, women and minority-owned businesses were completely shut out of state highway construction projects, getting no contracts at all.

STUFF FOR OPENING

<u>Proposals (in terms of Budget Authority):</u>

President: $174 ~~$170~~ billion over six years

House: $221 billion over six years

Senate: $218 billion over six years

<u>NOTE: THIS IS NOT FINAL YET, SO DO NOT USE:</u>
Compromise: $216 billion over six years (*including $198 billion guaranteed*)

<u>Proposals (in terms of Outlays):</u>

CBO Baseline:	$170 billion over six years
House:	$204 billion over six years
Senate:	$206 billion over six years
Average of Congressional Bills:	
	$205 billion over six years
Compromise:	$188 billion over six years
Change:	-$17 billion over six years

President's Priorities for Signing Bill:

- **Can't Spend Surplus**
- **Can't Lower Caps on other Discretionary Spending**

(Deich said that the President wanted "transit spending up, and the size of the bill down.")

June Shih 05/22/98 01:29:33 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: transportation revised -- changes from gene, ann, sid, omb incorporated

PRESIDENT WILLIAM J. CLINTON
STATEMENT ON TRANSPORTATION BILL
MAY 22, 1998

Today, Congress will take an important step toward preserving and expanding our prosperity into the 21st Century. I am very pleased that Congress will likely answer my call to pass a historic bill to strengthen America's transportation infrastructure and maintain our commitment to fiscal discipline and investing in our people.

It is a bill that will help our communities modernize and build the roads and bridges, the railways and buses that link the people of our great and vast country together, that keep our economy strong and vibrant. I have said that I would strongly support legislation that meets my core principles: It must keep our budget balanced, must preserve the budget surplus until we have saved Social Security first, and it must not undermine other national priorities -- education, health care, child care, the environment. I am happy to say that this bill meets these principles.

This measure does spend more than we wanted, but I am pleased that we have persuaded Congress to cut $17 billion of excess spending from this bill and reached an honorable compromise. At the same time, this bill fulfills the transportation priorities I set forth in my balanced budget: It strengthens our commitments to encouraging mass transit, to protecting the environment, to expanding opportunities to disadvantaged businesses, to moving more Americans from welfare to work with transportation assistance.

But I am deeply disappointed by one thing that is missing from this bill: Congress has refused to lower the national drunk driving standard to .08 percent blood alcohol content. We must have zero tolerance for irresponsible and reckless acts that endanger our children and loved ones traveling on our roads. We must make .08 in every state the law of the land and I will continue working to make sure it happens.

This bill shows that fiscal responsibilty and investing in our future go hand-in-hand toward preparing our people and our country to meet the challenges of the 21st Century. If Congress passes this bill, I will be pleased to sign it into law.

AN HISTORIC INVESTMENT IN INFRASTRUCTURE WHILE MAINTAINING FISCAL DISCIPLINE AND PROTECTING OTHER CRITICAL INVESTMENTS
May 22, 1998

Today, President Clinton and Congress Agreed To An ISTEA Reauthorization Bill That Includes An Historic Investment in Infrastructure While Maintaining Fiscal Discipline and Protecting Critical Investments, Such As Education, the Environment, and Health Care. While providing an historic investment in our infrastructure, the agreement maintains President Clinton's priorities of reserving the surplus until Social Security is reformed and investing in critical areas such as education, the environment, and health care. In response to the concerns the Administration raised, Congress improved the bill and the agreement now represents a solid compromise that is consistent with President Clinton's core principles:

✔ **Strengthens Our Infrastructure.** The agreement provides $200 billion to continue rebuilding America's transportation system -- a 28-percent increase over the 1991 ISTEA reauthorization. This agreement will help communities modernize and build the roads, bridges, railways, buses and airports that link the people of our great and vast country together, that keep our economy strong and vibrant.

✔ **Maintains Fiscal Discipline.** The agreement cuts the increase in excess transportation funding in *half* -- reducing it by $16.5 billion from the extra spending levels that were included in the Congressional bills -- even though those bills had passed the House and Senate by large majorities.

✔ **Preserves Surplus Until Social Security Is Reform.** Unlike the Congressional bills, the compromise is fully paid for with real offsets. And because the agreement does not touch the surplus, it is fully consistent with the President's call to "Save Social Security First."

✔ **Protects Critical Investments in Our Future.** Unlike the Congressional bills, the transportation agreement does not squeeze other critical investments in our future, such as education, health care, research and development, and the environment, because it is not financed by lowering the discretionary caps.

This Highway-Transit Bill Agreement Also Reflects President Clinton's Priorities -- By Expanding Transit Funding, Protecting the Environment, Helping Move People from Welfare to Work, Helping Disadvantaged Businesses, Extending the Ethanol Tax Credit, and Strengthening Border Infrastructure.

✔ **Expands Transit Funding Within A Smaller Bill.** While the agreement has less overall spending than the Congressional bills, it increases the share of transit funding from 17 percent of total surface transportation spending to 20 percent of total spending by 2002.

✔ **Protects the Environment.** The highway-transit agreement strengthens proven strategies to protect public health and the environment by increasing funding for the Congestion

Mitigation and Air Quality Improvement program 75 percent by FY2000.

✔ **Helps Move People from Welfare to Work.** One of the biggest barriers facing people who move from welfare to work -- in cities and in rural areas -- is finding transportation to get to jobs, training programs and child care centers. To help those on welfare get to their jobs, the highway-transit agreement authorizes $900 million over the next six years for President Clinton's welfare-to-work transportation plan. Of the $150 million per year, $50 million is guaranteed in FY99, rising to the full $150 million per year guaranteed in FY2003.

✔ **Helps Disadvantaged Businesses.** The highway-transit agreement provides opportunities to disadvantaged businesses by retaining the Department of Transportation's Disadvantaged Business Enterprise (DBE) program.

✔ **Extends the Ethanol Tax Credit.** In order to provide incentives to use ethanol in gasoline and protect the environment, the highway-transit agreement extends the Ethanol Tax Credit through FY2007.

✔ **Strengthens Border Infrastructure.** The highway-transit agreement authorizes the Administration's program to target resources to border crossings to improve traffic flow and reduce illicit trade. The agreement allows highway funding to be used for Customs and INS equipment that speeds border crossings.

While the Agreement Provides Funding For Increased Safety, It Does Not Include A National Drunk Driving Standard of .08 BAC. The agreement includes a number of measures to increase safety, including incentive grants to increase seat-belt use, new measures to target repeat drunk drivers and to ban open alcohol containers in cars, and a strong program to make highway-rail grade crossings safer. However, the President is disappointed that Congress refused to lower the national drunk driving standard to .08 percent blood alcohol content (BAC). The President will continue to work to make sure that .08 is the law in every state of the country.

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This measure does spend more than we wanted, but I am pleased that we have persuaded Congress to cut $17 billion of excess spending from this bill and reached an honorable compromise. At the same time, this bill fulfills the transportation priorities I set forth in my balanced budget: It strengthens our commitments to encouraging mass transit, to protecting the environment, to expanding opportunities to disadvantaged businesses, to moving more Americans from welfare to work with transportation assistance.

But I am deeply disappointed by one thing that is missing from this bill: Congress has refused to lower the national drunk driving standard to .08 percent blood alcohol content. We must have zero tolerance for irresponsible and reckless acts that endanger our children and loved ones traveling on our roads. We must make .08 in every state the law of the land and I will continue working to make sure it happens.

This bill shows that fiscal responsibilty and investing in our future go hand-in-hand toward preparing our people and our country to meet the challenges of the 21st Century. If Congress passes this bill, I will be pleased to sign it into law.

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✔ **Strengthens Our Infrastructure.** The agreement guarantees nearly $200 billion to continue rebuilding America's transportation system -- an approximately 30-percent increase over the 1991 ISTEA reauthorization. This agreement will help communities modernize and build the roads, bridges, railways, and buses that link the people of our great and vast country together, that keep our economy strong and vibrant.

✔ **Maintains Fiscal Discipline.** The agreement cuts the increase in excess transportation funding in *half* -- reducing it by $17 billion from the extra spending levels that were included in the original Congressional bills -- even though those bills had passed the House and Senate by large majorities.

✔ **Preserves Surplus Until Social Security Is Reformed.** Unlike the original Congressional bills, the compromise is fully paid for with real offsets. And because the agreement does not touch the surplus, it is fully consistent with the President's call to "Save Social Security First."

✔ **Protects Critical Investments in Our Future.** Unlike the original Congressional bills, the transportation agreement does not squeeze other critical investments in our future, such as education, health care, research and development, and the environment, because it is not financed by lowering the discretionary caps.

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✔ **Expands Transit Funding Within A Smaller Bill.** While the agreement has less overall spending than the original Congressional bills, it increases the share of transit funding from 17 percent of total surface transportation spending to 20 percent of total spending by 2002.

- ✔ **Protects the Environment.** The highway-transit agreement strengthens proven strategies to protect public health and the environment by increasing funding for the Congestion Mitigation and Air Quality Improvement program 75 percent by FY2000.

- ✔ **Helps Move People from Welfare to Work.** One of the biggest barriers facing people who move from welfare to work -- in cities and in rural areas -- is finding transportation to get to jobs, training programs and child care centers. To help those on welfare get to their jobs, the highway-transit agreement authorizes $900 million over the next six years for President Clinton's welfare-to-work transportation plan. Of the $150 million per year, $50 million is guaranteed in FY99, rising to the full $150 million per year guaranteed in FY2003.

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- ✔ **Strengthens Border Infrastructure.** The highway-transit agreement authorizes the Administration's program to target resources to border crossings to improve traffic flow and reduce illicit trade. The agreement allows highway funding to be used for Customs and INS equipment that speeds border crossings.

While the Agreement Provides Funding For Increased Safety, It Does Not Include A National Drunk Driving Standard of .08 BAC. The agreement includes a number of measures to increase safety, including incentive grants to increase seat-belt use, new measures to target repeat drunk drivers and to ban open alcohol containers in cars, and a strong program to make highway-rail grade crossings safer. However, the President is disappointed that Congress refused to lower the national drunk driving standard to .08 percent blood alcohol content (BAC). The President will continue to work to make sure that .08 is the law in every state of the country.

- As you know, last night we agreed with Sen. D'Amato and Sen. Domenici on a package of offsets to pay for the increased transit spending that they seek. In our view, the package equitably spreads the burden across all interested parties.

- As in every good compromise, the package contains some offsets that are neither the first choice of the Administration nor the first choice of the two Chairmen -- we agreed to some of their suggestions; they agreed to some of ours.

- We agreed to two provisions that could reduce the services provided by government mortgage insurers:

  -- increased fees for GNMA (Government National Mortgage Association) and

  -- ending the rebate of certain FHA mortgage insurance fees.

- In turn, the Chairmen agreed to increase the loan limit on FHA loans, and allow FHA to expand the services that it offers.

  -- Raising the FHA loan limit will expand credit and homeownership opportunities; it will not drain business from the private sector.

  -- As you know, private mortgage insurers have lower costs than does the FHA. Borrowers generally turn to FHA only when they have difficulty gaining credit from the private sector.

  -- Thus, increasing the loan limit will not significantly affect FHA's ability to compete with private mortgage insurers; it will only allow FHA to serve those who now cannot get ready access to private credit.

- Failing to increase the FHA loan limit would eliminate the one provision in the offset package that expands homeownership opportunities. We would be left with offsets that impose new costs on government insurers, and nothing that allows FHA to expand the services that it offers. The burden of the offsets would fall only on those who most need help to buy a new home.

- I want to stress that we looked long and hard at all other offsets, and were unable to find any others that would provide a balanced, equitable package.

- You know that we favor reducing the Social Services Block Grant, but only to pay for more effective programs that provide benefits to children and others in need. In my judgment, cutting the Social Services Block Grant to pay for this particular bill would be a serious mistake. Cutting SSBG now would leave us in the position of paying for highways and transit by cutting benefits to veterans and children.

- I urge you to allow the compromise to move forward.

AVAILABLE SSBG OFFSET

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 99 - 03
Social Services Block Grant	471	485	566	620	1,040	3,182
FHA Loan Limit				-133	(1,040)	(1,173)
Subtotal, offsets	471	485	566	487	0	2,009
Other Housing (GNMA and MI)		-137	-566	-487	0	(1,190)
Remaining offsets	471	348	0	0	0	819

H.R. 2400, the Transportation Efficiency Act
for the 21st Century ("TEA-21")

Status: Conference report approved by leadership of House Transportation & Infrastructure, Commerce, and Ways and Means Committees and Senate Environment & Public Works, Commerce, Banking, and Finance Committees.

Conference report to be filed by 9:00 am on May 22. House Rules Committee scheduled for 9:30 am on May 22 and floor as soon as possible thereafter. Senate action expected later on the 22nd.

Summary of Major Provisions:

Very little is still known about the conference report other than several major provisions noted below. Drafting and summary formula tables are not yet complete.

Infrastructure Investment

o Authorizes a total of $216 billion for the period FY 98-03 for highway, mass transit, highway safety, and rail programs. The total amount is slightly below those authorized by the House (-$4.2 billion) and by the Senate (-$1.3 billion). The conference report is $41 billion above the President's proposed NEXTEA.

o Of the total amount authorized, $175 billion is for highway construction and safety, and $41 billion for transit. A new provision will ensure that based on prior year revenues, annual funding levels will be guaranteed for most surface transportation programs.

	Highways/Safety	Transit	Total
Guaranteed Funding	~~165 B~~ 162 B	36.3 B	~~201.3~~ 198.1 B
Authorized subject to Approp.	10 B	4.7 B	14.7 B
Total	175 B	41.0 B	216.0 B

o Offsets. Assumes that there will be a total of $17.5 billion in offsets to cover guaranteed spending that will occur over gas tax receipts. This will be provided by two offsets: veterans tobacco benefit ($15.3 billion) and social security block grant program ($2.4 billion (?)).

o Projects/Highway Formula. The bill purportedly provides 90.5 percent minimum guarantee return for each State of the gas tax receipts contributed to the Highway Trust

Environment

- **CMAQ**. Continues the Congestion Mitigation and Air Quality (CMAQ) program with increased funding levels, increasing funding levels to $1.4 billion in FY 99 (up from $1.0 billion in FY 98) and to $1.75 billion in FY 2000-03.

- **Boundary Waters Canoe Area**. Includes Representative Oberstar's bill relating to the opening up of the Boundary Waters Canoe Area in northern Minnesota to certain motorized operations.

Welfare to Work

- **Access to Jobs.** Authorizes $900 million over the six years for the President's Access to Jobs initiative. Of the $150 million annual authorization, $50 million is guaranteed in FY 99, increasing annually to the full $150 million guaranteed in FY 03.

DBEs

- **DBEs**. Extends the Department's Disadvantaged Business Enterprise program for highways and transit which contains a goal that at least 10 percent of program funds are awarded to DBEs.

Ethanol Tax Credit

- **Ethanol**. Extends through 2007 the tax exemption provided for the use of ethanol in gasoline.

Financing

- **Highway Trust Fund Extension**. Extends authority to collect/deposit gasoline and motor fuel taxes at current levels, as well as the authority to make expenditures from the Highway Trust Fund, through 2005.

Border Infrastructure: authorizes & funds the Administration's program to target resources to border crossings to improve traffic flow & reduce illicit ~~[illegible]~~ trade. Allows highway $ to be used for Customs & INS equipment that speeds border crossings.

S. Palmer
5/22/98; 4:15 AM

The final bill largely meets the core principles announced by the Administration:

-- the projected budget surplus will not be used to pay for the legislation;
-- spending will be offset fully, without lowering the caps on discretionary spending;
-- excessive spending levels were reduced.
-- the final bill enhances the role of transit, and includes most of the core environmental and safety programs sought by the Administration.

Although the bill did not significantly reduce authorizations, it sharply lowered guaranteed spending. The bill authorizes $216 (?) billion, but guarantees only $198 billion of spending. Total offsets required for the bill were $17.5 billion, about half of the $34 billion cost of the Congressional bills.

The House bill provided transit less than 17 percent of all surface transportation spending; the Administration fought for the 19 percent transit share contained in the Senate bill. The final bill provides transit with 18.3 percent of total resources.

Transit spending is guaranteed, and will grow from 17 percent of total surface transportation spending in 1998 to 20 percent of total spending by the year 2002.

The final bill guarantees 94 percent of the transit authorizations and 90 percent of the highway authorizations contained in the average of the House and Senate bills.

During 1998-2003, transit spending will average 130 percent of prior-year Transit Account receipts; highway spending will equal 100 percent of prior-year Highway Account receipts.

Guaranteed transit spending during 1998 to 2003 will equal 44 percent more than transit spending appropriated ISTEA (1992-1997); guaranteed highway spending will rise ~~35~~ percent.
32

(in millions)

		Pres Bud	BESTEA	ISTEA2	Cong Bill Avg	Final Bill	Congl Bill (Avg) less Final Bill	6 year average of Final Bill	6 year average of ISTEA1	Final Bill % incr over ISTEA 1
Total	BR	166500	219700	218000	218850	198124	20726	33021	24661	33.90%
	OL	165400	204449	205588	199350	182528	16822	30421		
Highways	BR	137600	183000	177500	180250	161875	18375	26979	20463	31.84%
	OL	138700	173150	171594	167950	153290	14660	25548		
Transit	BR	28700	36700	40500	38600	36249	2351	6042	4200	43.86%
	OL	26500	31299	33993	31400	29238	2162	4873		

May 19, 1998

Transit Spending in the ISTEA Reauthorization Bill
Talking Points

- The original House and Senate bills would have provided more than $219 billion and would have required offsets of roughly $34 billion in outlays. The Senate bill was simply an authorization; the bill included no guarantee that the funds actually would be appropriated.

- On May 5, the Administration proposed an authorization to spend $184 billion -- $150 billion for highways and $34 billion for transit; all of the spending would be guaranteed through a new budget mechanism.

- On May 13 the Republican Congressional Leadership announced an agreement in principle to spend $201 billion -- $167 billion in highway spending and $34 billion in transit spending for 1998-2003.

- Left unchanged, the Leadership agreement would cost roughly $23 billion in other outlay savings. Paying for the agreement would require either spending the budget surplus, lowering the discretionary caps, or making unacceptable offsets in other discretionary spending.

- The Administration is pressing Congress to change the final agreement in two ways. **First, reduce total spending to a level that can be offset fully by the VA/tobacco proposal alone. Second, increase the share of spending dedicated to transit.**

- Since the Congressional leadership's proposal announcement, policy changes have been identified that could reduce by about $7.7 billion the total offsets needed to pay for the announced plan. About $6.9 billion -- almost 90 percent -- of these outlays savings could be realized by changing the proposed highway spending. The majority of the highway savings would result from lowering by roughly $5.2 billion the amount of money made available for obligation.

- These outlay savings would be achieved without reducing total transit funding below the levels in the Leadership agreement for the period 1998-2003. Simply phasing-in the increased transit spending would realized outlay savings of $0.8 billion. Transit spending would average 17 percent of total spending during the entire authorization. Transit spending would start at 16 percent of total surface transportation spending, and then rise to 20 percent of total spending by the end of the authorization period. For the first time, this transit/highway split would be guaranteed.

- Under the Leadership agreement:

    - For the first time, transit spending levels would be guaranteed. The transit community would no longer have to endure the uncertainty of the annual fights through the appropriations process to secure adequate funding.

    - During 1998-2003, transit would spend 130 percent of prior-year Transit Account receipts; Highways would spend 100 percent of prior-year Highway Account receipts.

    - The Leadership agreement would provide transit with just under 17 percent of total surface transportation spending during the 1998-2003 authorization period -- the same share received by transit during ISTEA (transit *authorizations* were 21 percent of ISTEA spending; transit *appropriations* were only 17 percent).

- The Administration seeks a final bill that can be paid for with a single offset -- VA tobacco -- and provides transit with a share of total spending that rises to 20 percent by the end of the authorization period.

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Lew
Larry Stein

SUBJECT: Addendum to the May 14 ISTEA Reauthorization memo (see attached)

This morning Erskine asked that we clarify the division of views within the White House on the latest Congressional offer on the ISTEA reauthorization.

Since last night, we both met with the combined House and Senate leadership and committee staff. We laid out an alternative approach that would not require any unacceptable offsets. We expressed clearly our concern about the use of the proposed offsets. The discussion is now aimed at closing a gap of roughly $7 billion over 6 years.

It appears that the combination of our senior advisors veto threat, and bringing constructive alternatives to the table is having a positive impact. We have received signals from Gingrich's staff this afternoon that they may be willing to work with us to find acceptable offsets. Technical staff discussions will continue over the weekend.

We are unable to determine whether we have the votes to sustain a veto at this time. Despite this concern, several members of your economic team, including Erskine, Gene Sperling(?), Frank Raines, Jack Lew, and Secretary Rubin, would recommend you veto the bill as the only way to maintain our ability to pursue other aspects of your policy agenda later in the year and maintain fiscal discipline.

John Podesta, Rahm Emanuel, Larry Stein, Doug Sosnik, and Paul Begala want you to be aware of the real risk if your veto is overridden. You could not only suffer a political loss, but in the long run the override could undermine your ability to affect other decisions on the Hill. They would only support a veto if we had a reasonable chance to sustain an override.

The stakes go well beyond this bill, and will impact our ability to resolve other funding issues later in the year.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 14, 1998

MEMORANDUM FOR THE PRESIDENT

From: Jacob J. Lew
Larry Stein

Subject: ISTEA Reauthorization

This memo seeks guidance on whether you are inclined to veto the latest Congressional offer on ISTEA reauthorization.

As you know, the House and Senate bills would have provided roughly $220 billion in budget resources during 1999-2003, with outlays roughly $34 billion more than your Budget. The latest Conference document would provide $197-200 billion in budget resources during 1999-2003, with outlays roughly $21-23 billion above your Budget. The attachment describes $23.5 billion in outlay offsets that the Leadership have identified to pay for the bill. About $3-5 billion of these offsets were in your Budget, and the Administration is relying on having access to those offsets later in the '99 appropriations process to pay for some of your key budget priorities. Another $4 billion or so of the offsets seem politically unachievable; if we agreed to the spending levels that those offsets support, and the offsets later were dropped, the Republicans might seek to retain the spending and pay for it with objectionable offsets, by lowering the discretionary caps, or by not fully financing the increased spending levels.

We are not sure if the principle goal of the Republican leadership is to pay for a transportation bill or instead to use up all of the offsets that the Administration needs to pursue our own objectives in the appropriations process. If the former, we believe that a deal is possible. In particular, we should be able to craft a package that includes most, and perhaps all, of the spending in the Congressional offer. By modestly changing the time path and composition of that spending, and by having Congress direct CBO to adopt OMB scoring on certain items (as they already appear ready to do on the VA tobacco offset) we should be able to pay for the bill solely through the VA tobacco offset in our offer. We have asked for a meeting with the leadership to discuss resolving the funding dispute. To date, however, the leadership has shown little eagerness to meet.

We believe that the leadership is unlikely to engage us in serious negotiations unless we make a credible threat that you will veto a bill that contains unacceptable offsets, that spends the surplus, or that skews transportation priorities. Earlier this week, we issued a letter to the conferees with a senior advisors veto threat on these grounds. At the moment, Gephardt and Oberstar appear ready to support a veto, but Oberstar's support seems tentative. There will be no reliable way to assess in advance our chances to sustain a veto. In the Senate, support for the bill is overwhelming, and Senator Daschle is unlikely to support a veto.

Although we do not yet know how the Congressional offer addresses some of our core policy objectives (.08 BAC, environmental provisions, etc), your economic team is inclined to recommend that you veto the bill if it is paid for with the offsets noted at Tab A. John Podesta doubts the wisdom of a veto if it could not be sustained, and the Legislative Affairs staff has concerns about the long-term consequences of an override.

Tab A

Congressional Leadership Proposed Offsets

Offset	Savings over 1999-2003
• *VA tobacco*	$16 billion

CBO would be directed to use OMB scoring of roughly $!6 billion over five years. Congress appears ready to adopt the Administration's request that some funds be reserved for expanded veteran's benefits.

• *Social Services Block Grant* — $3.1 billion

Your budget used this offset to fund increases in other social services programs. Using this offset for highways would make it difficult to find any program increases in the Labor/H appropriations bill or to pay for even a modest child care proposal.

• *Increase in GNMA fees* — $0.9 billion

This proposal would triple the fee increase proposed in your budget. Although not objectionable from a policy standpoint, an increase of this size could be difficult to achieve. Your budget uses this offset to pay for new housing initiatives.

• *FHA policy reforms* — $1.0 billion

Your budget proposed increasing the limit on FHA-insured loans to pay for a second round of Empowerment Zones. The offset noted above abandons that loan limit increase in favor of unspecified 'reforms.' It is unclear whether such reforms could be either identified or passed by Congress.

• *Fees on Fannie Mae and Freddie Mac* — $4.5 billion

This offset has been proposed and quickly shot down many times over the last ten years. No one believes this has a credible chance of passage.

To: Chuck & Dorothy

From: Melissa

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

GENERAL GOVERNMENT AND FINANCE
Old Executive Office Building
Room 246
Fax Number: 202-395-4639

FACSIMILE TRANSMISSION

Date: 5/14 Number of Pages including Cover

PLEASE DELIVER THE FOLLOWING PAGES TO:

Melissa for Gene

FROM:

___ MICHAEL DEICH, Associate Director, General Government & Finance (202-395-3120)

✓ Pat Romani (202-395-3120)

___ Ted Wartell (202-395-3801)

Comments: per your request

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 13, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Franklin D. Raines

SUBJECT: Status of the Intermodal Surface Transportation Efficiency Act (ISTEA) Reauthorization – INFORMATION

Erskine asked us to send you a comparison of the House and Senate versions of the transportation reauthorization bill now being considered in Conference.

Background

Earlier this month, the Administration offered a compromise on ISTEA that would provide Congress one of their key objectives (a guarantee that annual surface transportation spending would equal Highway Trust Fund receipts). In exchange for this spending guarantee, the proposal would set spending significantly below the levels contemplated in the House and Senate bills. The compromise would preserve the budget surplus and would protect discretionary funding for your other priorities.

Congress would like to complete floor action on this bill prior to the Memorial Day recess that begins May 22, but it is unclear whether they can meet this deadline. ISTEA programs have been operating this year under a short-term extension that permits transit, highway safety, and Department of Transportation administrative programs to continue at a reduced level for the next several months. However, States have been prohibited from obligating new highway construction funds since May 1, 1998. Although construction work continues using carryover funds, the pressure will increase for Congress to authorize a bill quickly.

On May 12, the Administration sent a letter to the conferees (attached) notifying them that your senior advisers will recommend that you veto the conference report if it "makes available an excessive level of budgetary resources if financed by spending the surplus, by reducing the domestic discretionary caps, by using unacceptable offsets, or by forcing cuts in domestic priorities." In addition, the letter stated that your senior advisers would "also recommend veto of a conference report that skews transportation priorities."

Funding Issues

The following table summarizes the funding levels included in the various reauthorization proposals. Each proposal is described in more detail below. For 1999 alone, surface transportation programs would be funded at more than 25 percent above the levels in the President's budget (roughly 1998 enacted). The attachment provides annual funding levels for each proposal.

Comparison of Budgetary Resources 1998-2003
(Mandatory and Discretionary $ in billions)

	Admin. NEXTEA	House BESTEA	Senate ISTEA 2	Admin. May 5 Proposal
Highways	137.6	183.0	177.5	150.3
Transit	28.7	36.7	40.5	33.5
TOTAL	166.5	219.7	218.0	183.8

<u>House: Building an Efficient Surface Transportation Efficiency Act (BESTEA)</u>

The House bill would provide $219.7 billion in budgetary resources, $53 billion above your request. This includes $9.3 billion for almost 1,500 highway demonstration projects that are funded as mandatory spending. Nearly 17 percent of the spending authorized by BESTEA is provided for transit. BESTEA includes a requirement that the Conference Report identify offsets to pay for any spending in the bill above a baseline frozen at the 1998 enacted level. To date, no offsets have been identified.

Under BESTEA, total budgetary resources (the amounts available for obligation) would be set at levels significantly above HTF receipts. Supporters nonetheless claim that "spending equals receipts" because <u>outlays</u> would equal receipts during the period 1998-2003. This of course means that beyond 2003 outlays would significantly exceed tax receipts. BESTEA would guarantee this spending by taking "off budget" all highway and transit spending that is financed by the Highway Trust Fund. To fund the spending contained in BESTEA, other non-defense outlays would need to be reduced by $34 billion during the period 1999-2003.

<u>Senate: The Intermodal Surface Transportation Efficiency Act 2 (ISTEA 2)</u>

The Senate proposal would provide $218 billion in budgetary resources, $51 billion above the President's Request. ISTEA2 includes no demonstration projects, although some

Senate demonstration projects will likely be included in the final bill. ISTEA2 includes a requirement that demonstration projects be incorporated into the regular highway program formula allocations among the States, thereby diminishing the incentive for earmarking. Roughly 19 percent of the total spending in ISTEA 2 would be devoted to transit.

ISTEA2 continues the current budgetary treatment of highway and transit programs. Almost all funding is subject to the appropriations process and is not guaranteed. ISTEA2 does not include any offsets, although the Senate Budget Resolution assumes that many of your new mandatory offset proposals would be redirected to offset highway spending.

Administration Proposal

On May 5, the Administration proposed a compromise designed to reflect four core principles: (1) the budget surplus shall not be used to pay for the legislation; (2) spending shall be offset fully, without lowering the cap on other discretionary spending; (3) after a phase-in period, total budgetary resources spent annually should equal total Trust Fund receipts; and (4) spending levels must be sustainable for the long-run.

The Administration proposal would provide total spending equal to $218.9 billion -- the average of the House and Senate bills -- but spread that spending over seven years rather than the six years contained in BESTEA and ISTEA 2. (The Administration offer would provide $183.8 billion during the 1998-2003 period contemplated by the House and Senate bills, an increase of $17.4 billion in budgetary resources and $8.1 in outlays over our original NEXTEA proposal). As in the Senate bill, the Administration's proposal would provide 19 percent of total resources to transit. No demonstration projects would be provided; to the extent they were included in the final legislation, they would need to be funded out of the total for highways.

The Administration proposal incorporates a key Congressional goal: guaranteeing that annual spending on surface transportation equal to annual receipts into the Highway Trust Fund. In contrast to BESTEA, however, the Administration's proposal sets spending so that budgetary resources, not outlays, equal receipts. This not only lowers the cost of our proposal, but also allows program spending levels to be sustained in the long-run (the House and Senate bills would obligate far more than receipts -- thus, at some time not too far beyond the budget window, spending would have to be curtailed or the gas tax would have to be increased). In addition, the Administration's proposal would guarantee *all* spending for transit and highways alike.

The Administration proposal would phase in the spending guarantee. Spending would equal the levels in the President's Budget for 1999 and 2000, and then rise to 97 percent of prior-year Trust Fund receipts in 2001, and 100 percent of prior-year receipts thereafter. This spending level would be guaranteed by creating a third category of spending (surface transportation) under the Budget Enforcement Act. This category would set not only a *floor*, but also a *ceiling* on surface transportation spending, and thereby protect other discretionary spending from pressure to approve even higher levels of transportation spending.

Our proposal would be offset fully by CBO's current scoring of the $13.5 billion VA/tobacco provision contained in your budget. If CBO chose to adopt OMB scoring of this provision (at $21.8 billion), our proposal would support an additional $8.3 billion of transportation spending through 2004 (net of the spending on veterans' training and education programs).

Key Policy Issues

Many of the priorities included in the Administration's NEXTEA proposal are incorporated in both the House and Senate bills. For example, the Disadvantaged Business Enterprise program has been retained and the new Access to Jobs program is funded. Below are several of the issues that still need to be resolved in Conference.

- .08 Blood Alcohol - As you know, the Senate bill includes a provision which withholds highway construction funds from States (beginning in Fiscal Year 2002) if they have not adopted a .08 blood alcohol concentration standard under state drunk driving laws. The House bill does not contain a similar provision. To date, the conferees have made no progress on this issue.

- Environmental Programs - BESTEA includes an onerous provision that would permit the oversight of the National Environmental Policy Act process to be delegated to the States. In addition, we oppose the transferability of environmental program funds to highway construction.

- Woodrow Wilson Bridge - The Woodrow Wilson Bridge is the only Federally-owned bridge on the Interstate System. The bridge is on the Capitol Beltway south of Washington. The Administration requested $400 million as the Federal share of the $1.9 billion replacement cost, with Maryland and Virginia responsible for the remaining cost. The Senate bill includes $900 million as the Federal share for this project, while the House provides no funding. In discussions with the Maryland and Virginia delegations, the Administration has pledged that it will not oppose up to $900 million as the Federal share and, if Maryland and Virginia want it, a Federal loan to help finance the State share. Maryland and Virginia are pushing for no less than $1.5 billion in Federal grant funding. To date, it appears that $900 million is as much as the States can expect from the conferees.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 12, 1998

The Honorable Bud Shuster
Chairman
Committee on Transportation
2165 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

As the House-Senate conference on reauthorization of the *Intermodal Surface Transportation Efficiency Act* (H.R. 2400) proceeds, I write urging your consideration of a proposal the Administration has made to resolve the important budget issues raised by this legislation.

On April 30, I sent you a letter expressing the Administration's serious concerns about the excessive spending in the House and Senate bills; in particular, that the spending levels would either require unacceptable reductions in high priority discretionary program funding, or they would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first.

These budgetary concerns were reiterated in a May 1 letter to conferees from Secretary Slater, along with a detailed review of other important policy issues that need to be resolved in an acceptable manner in order to bring this legislation to a conclusion. These issues include a stronger national standard for drunk driving and other safety concerns, maintenance of the historical balance in highway-transit funding, and ensuring protection of the environment as we carry out transportation programs.

Last week, during the course of ongoing discussions with conferees, the Administration proposed the attached framework for bridging some of the distance between the funding levels supported by the Administration, the House and the Senate. The framework is based on four principles: (1) the projected budget surplus shall not be used to pay for the legislation; (2) spending shall be offset fully, without lowering the caps on discretionary spending; (3) after a phase-in period, total budget resources spent each year should equal total receipts to the Highway Trust Fund (HTF); and (4) spending levels in the legislation shall be sustainable after the end of the authorization period.

This framework fulfills the objective of many in Congress that one hundred percent of Highway Trust Fund receipts be available for obligation. After an appropriate phase-in period, a new budget mechanism would require that total funding equal 100 percent of total HTF receipts. This funding guarantee would serve as both a floor and a ceiling for fiscal years 1999-2004. In exchange for the unprecedented guarantee of authority to spend all prior year Trust Fund

receipts, this framework also establishes that total surface transportation spending will not exceed receipts. Total funding over the reauthorization period would equal $218.9 billion, which is between the amounts called for in the House and Senate bills. However, this funding would be provided over seven years, instead of six, in order to satisfy the Administration's core principles that the surplus not be depleted and the spending caps not be reduced.

The President's senior advisers would recommend that he veto a conference report that makes available an excessive level of budgetary resources if financed by spending the surplus, by reducing the domestic discretionary caps, by using unacceptable offsets, or by forcing cuts in domestic priorities. We would also recommend veto of a conference report that skews transportation priorities.

We need final action now on this critical legislation. The Administration strongly urges the conferees to seriously consider the framework discussed in this letter, which would ensure stable funding for surface transportation, in a manner that is both fiscally responsible and consistent with the President's pledge to save Social Security first.

Sincerely,

Franklin D. Raines
Director

Attachment

Identical Letter Sent To:

The Honorable Bud Shuster
The Honorable James Oberstar
The Honorable Tom Petri
The Honorable Nick Rahall
The Honorable John Chafee
The Honorable Max Baucus
The Honorable John Warner
The Honorable William Roth
The Honorable Daniel Patrick Moynihan
The Honorable Alfonse D'Amato
The Honorable Paul Sarbanes
The Honorable John McCain
The Honorable Ted Stevens
The Honorable Ernest Hollings
The Honorable Pete Domenici
The Honorable Frank Lautenberg
The Honorable Tom Bliley
The Honorable George Brown
The Honorable John Dingell
The Honorable Jim Sensenbrenner

Surface Transportation Reauthorization Funding
Comparison of Congressional and Administration Proposals
(Mandatory and Discretionary $ in billions)

	1998	1999	2000	2001	2002	2003	2004	1998-2003 Total	1998-2004 Total
President's Budget									
BR	28.0	27.8	27.7	27.7	27.7	27.6	27.7	166.5	194.2
OL	26.5	27.3	27.7	27.8	28.0	28.1	28.1	165.4	193.5
Highway/Safety									
BR	*23.1*	*23.0*	*22.9*	*22.9*	*22.8*	*22.8*	*22.8*	*137.6*	*160.4*
OL	*22.3*	*23.3*	*23.4*	*23.3*	*23.2*	*23.1*	*23.2*	*138.7*	*161.9*
Transit									
BR	*4.8*	*4.8*	*4.8*	*4.8*	*4.8*	*4.8*	*4.9*	*28.7*	*33.6*
OL	*4.2*	*3.9*	*4.3*	*4.5*	*4.8*	*4.9*	*4.9*	*26.5*	*31.4*
HR 2400, BESTEA									
BR	29.3	35.0	38.9	38.8	38.9	38.8	–	219.7	–
OL	26.6	28.8	32.9	35.7	37.2	37.9	–	199.1	–
Highway/Safety									
BR	*24.5*	*29.0*	*32.5*	*32.4*	*32.4*	*32.4*	–	*183.0*	–
OL	*22.4*	*24.9*	*28.2*	*30.5*	*31.2*	*31.6*	–	*168.8*	–
Transit									
BR	*4.8*	*6.0*	*6.5*	*6.5*	*6.5*	*6.5*	–	*36.7*	–
OL	*4.2*	*4.0*	*4.7*	*5.3*	*5.9*	*6.3*	–	*30.3*	–
S 1173, ISTEA2									
BR	27.8	36.7	37.4	38.0	38.7	39.5	–	218.0	–
OL	26.4	29.4	33.4	35.5	36.9	38.0	–	199.6	–
Highway/Safety									
BR	*22.9*	*29.8*	*30.4*	*30.9*	*31.4*	*32.0*	–	*177.5*	–
OL	*22.3*	*25.3*	*28.4*	*29.7*	*30.4*	*31.0*	–	*167.1*	–
Transit									
BR	*4.8*	*6.9*	*7.0*	*7.1*	*7.3*	*7.5*	–	*40.5*	–
OL	*4.2*	*4.1*	*5.0*	*5.7*	*6.5*	*7.0*	–	*32.5*	–
Offer									
BR	28.0	27.8	27.7	32.1	33.8	34.4	35.1	183.8	218.9
OL	26.5	27.3	27.7	28.7	30.8	32.5	33.5	173.4	206.9
Highway/Safety									
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*150.3*	*178.8*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.8*	*27.4*	*145.7*	*173.1*
Transit									
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*33.5*	*40.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*27.7*	*33.8*

cc: Lew
Stein
Sperling
Forbes
Brain
Emery
Kieffer
Damus
Robyn
Marr
Lance

To: Larry
Chuck

cc: Frank
Jack

Fr: Michael

Re: Deja Vu on Cost Estimates

We should press Shuster to give us the same paper he gives CBO when asking for scoring advice.

Right up to the time that CBO provided an official scoring of BESTEA, Schenendorff dismissed our claim that BESTEA would cost roughly $34 billion. He argued that we misunderstood the bill, and that various unnamed budgeteers had provided assurances that BESTEA would require offsets of only $15-20 billion. In our first meeting after official CBO scoring became available, however, you asked him if he disputed CBO's estimate that BESTEA would require $34b in outlay offsets. He did not, and chose instead to move the converations quickly to other issues.

We seem to be going through the same dynamic today, with Schenendorff claiming that CBO informally scores the Congressional offer at $18-21b, and OMB/DOT saying that official CBO scoring probably would come in at $22-26 billion. This morning Shuster staff called Worzala to say that the paper we got yesterday was just an "illustration" of how their proposal would work; it was not really their spending plan.

The quickest and perhaps only way to close this gap is for Shuster to provide OMB and CBO the same level of detail about his plan.

PS: Worzala and Basso agree that the CBO runs provided by Schenendorff do not seem to measure the "CBO WODI baseline" correctly. I don't yet know the details.

HYBRID BUDGET PROCESS TO GUARANTEE THAT GAS TAX REVENUES ARE SPENT

This option creates a guarantee for the Highway Trust Fund that ensures that gas tax revenues are spent for their intended purpose, yet preserves the integrity of the Budget and Appropriations processes. This process contains three elements.

Non-Guaranteed Portion	Unprotected Discretionary	Additional funding to total contract authority in ISTEA II / BESTEA.
Guaranteed Portion	New Mandatory Spending offset in Bill	Extra exempts to the point where funding is equal to tax revenues
	WODI Baseline Exempts	Existing Exempts
	Discretionary Firewall	WODI baseline adjusted for ARC

First, a firewall would be established under the caps to guarantee highway and transit spending at WODI baseline levels. This firewall would act as a floor on highway/transit funding. Otherwise, the role of the Appropriations Committee would be unchanged. (green portion)

Second, the amount of spending needed to ensure that gas tax revenues are spent for these programs in excess of the baseline would be added to the mandatory side of the budget. This level would be pegged to annual gas tax revenues. The discretionary caps would therefore not have to be changed. (yellow portion)

Third, the Appropriations Committee would be authorized to further increase Highway Trust Fund spending above the guaranteed amount if they choose. The outlays from such increases would be charged to the caps. (red portion)

HYBRID BUDGET TRANSIT CONCEPT CALCULATION

		1998	1999	2000	2001	2002	2003	Total 98-03	Total 99-03
A.	Tax Revenue	3.407	5.256	4.436	4.506	4.578	4.657	26.840	23.433
B.	**Firewall Programs at Baseline**								
	trust fund capital	2.260	2.260	2.260	2.260	2.260	2.260	13.560	11.300
	formula	2.000	2.000	2.000	2.000	2.000	2.000	12.000	10.000
	general fund formula	0.240	0.240	0.240	0.240	0.240	0.240	1.440	1.200
	UTC	0.006	0.006	0.006	0.006	0.006	0.006	0.036	0.030
	Admin.	0.046	0.046	0.046	0.046	0.046	0.046	0.276	0.230
	Planning	0.092	0.092	0.092	0.092	0.092	0.092	0.552	0.460
	WMATA	--	0.200	0.200	0.200	0.200	0.200	1.000	1.000
	TOTAL	**4.644**	**4.844**	**4.844**	**4.844**	**4.844**	**4.844**	**28.864**	**24.220**
C.	**New Mandatory Program**	**0.000**	**0.563**	**1.031**	**1.031**	**1.031**	**1.031**	**4.689**	4.689
D.	**Total - Firewall + Mandatory**	**4.644**	**5.407**	**5.875**	**5.875**	**5.875**	**5.875**	**33.553**	28.909
E.	Administration Budget Resources	4.800	4.800	4.800	6.100	6.400	6.500	33.400	28.600
F.	Total CA -- House Bill Assumptions	4.895	5.625	6.316	6.316	6.316	6.316	35.784	30.889
G.	Total CA and Guaranteed BA -- Senate Bill Assumptions *	4.920	6.053	6.190	6.330	6.473	6.621	36.587	31.667

* (includes $1 billion per year in "Guaranteed" general fund authorizations in FY 1999-03)

Guaranteed Budget Calculation Concept - Highways

		1998	1999	2000	2001	2002	2003	Total 98-03	Total 99-03
A.	Tax Revenue (w/o spike)	27.149	27.634	28.066	28.506	28.972	29.471	169.798	142.649
B.	Firewall Programs at Baseline								
	Federal-aid: Ob. Limit	21.500	21.500	21.500	21.500	21.500	21.500	129.000	107.500
	NHTSA: Ob. Limit.	0.186	0.186	0.186	0.186	0.186	0.186	1.116	0.930
	MCSAP: On. Limit	0.085	0.085	0.085	0.085	0.085	0.085	0.510	0.425
	ARC (DOT): BA	-	0.300	0.300	0.300	0.300	0.300	1.500	1.500
	ARC (Energy & Water): BA)	-	0.102	0.102	0.102	0.102	0.102	0.510	0.510
	Subtotal	21.771	22.173	22.173	22.173	22.173	22.173	132.636	110.865
C.	Mandatory Components								
D.	Current Mand. Baseline: BA	0.739	0.739	0.739	0.739	0.739	0.739	4.434	3.695
E.	New Mand.BA (A-B+D) *	1.932	4.722	5.154	5.594	6.060	6.559	30.021	28.089
	Total Mand. BA (D+E)	2.671	5.461	5.893	6.333	6.799	7.298	34.455	31.784
F.	Total Guaranteed: Firewall + Mandatory	24.442	27.634	28.066	28.506	28.972	29.471	167.091	142.649
G.	Total CA - House Bill Assumptions	24.000	28.500	32.200	32.200	32.200	32.200	181.300	157.300
H.	Total CA - Senate Bill Assumptions	24.751	28.761	29.195	29.629	30.100	30.628	173.064	148.313

Revenues = Spending

* Indefinite amount, calculated annually. 1998 shows House assumptions.

SLATER ON AIRLINE ALLIANCE REPORTS

SHORT TALKING POINTS

- I have heard the reports of alliances being formed among several airlines and am anxious to learn more details.
- *SAFETY* is always our top priority at the Department of Transportation.
- Beyond safety, we have a responsibility to protect the traveling public from anti-competitive behavior and as more details become available, we will be looking at these potential alliances with this in mind.

GOVERNMENT AUTHORITY OVER ALLIANCES

- The recently-announced alliance between Northwest and Continental represented the first *significant* combination among *domestic* airlines in the past several years. (There was a wave of mergers in the airline industry in the 1980's but no major airline transactions in recent years)
- American and US Airways announced yesterday that they are creating an alliance, although *initially* it will not involve code-sharing.

  NOTE: United and Delta **had planned to** announce today that they too will create an alliance which will involve some integration of their services, **but** their morning press conference in NY has been called off.

- The Department of Transportation will remain vigilant in our pursuit of *Safety*. Any actions taken by any airlines will always be measured first by this standard.
- This alliance and any others are not yet before the Department. As soon as they are, we will consult with the Department of Justice to determine what review role the Department of Transportation will have. I look forward to working with Justice on these matters.

ALLIANCES AND OUR COMPETITION GUIDELINES

- We appreciate that the concerns we have heard about how these recently announced transactions could increase concentration in the domestic airline industry. We believe that we and the Justice Department have the tools to prevent any transaction that would lead to a significant loss of competition in the domestic airline business.

- My Department, of course, *has a responsibility* to ensure that the airline industry *remains competitive*. For that reason we have published for public discussion policy setting guidelines on *what constitutes unfair competition* in cases where a new entrant airline enters a major airline's hub market.

- My Department has the authority to review the proposed alliances insofar as the partners hold *international route authority*. If the proposed alliances reduce competition in international markets or are contrary to our international aviation policy, we will take appropriate action.

- The Justice Department has already begun a review of the Northwest-Continental transaction to see whether it should be challenged under those laws. If the Justice Department finds that the transaction should be prohibited or modified to avoid a substantial reduction in competition, I am sure that they will take the necessary steps to achieve that result. I am confident that the Justice Department will also investigate whether the other proposed alliances are consistent with the antitrust laws.

- We have begun consulting with Justice on the Northwest-Continental transaction and plan to offer them *our views on its likely competitive consequences*. We will do the same for any other proposals.

COMPETITION POLICIES

- *We have begun studying* the impact of competition on the apparent inability of new entrant airlines to obtain gates and other airport facilities, on reasonable terms, and on whether the airlines holding slots at O'Hare and the other three high-density rule airports are effectively using the slots that they hold.

- We also adopted several new rules on *computer reservations systems* last year to promote competition, and we are reviewing our existing rules on computer reservations systems to see whether they need to be strengthened to promote competition.

SLOT ORDERS

- We issued 48 slot exemptions to 3 commuter carriers, 2 flying under United's colors and one under American's, all of which will bring *new, nonstop, jet* service to 10 small to medium sized markets -- for the first time.

- We also issued 5 slot exemptions to America West to increase its limited slot controlled period service from this major airport to its primary hub in Phoenix. This will increase competition and benefit consumers by allowing for expanded service in the market and beyond.

- We also issued 5 slot exemptions to American Trans Air for service between Midway Airport here in Chicago and New York's LaGuardia. This will be *new, all jet, low fare* service and the first nonstop service in the market since Midway Airlines stopped flying the route, despite its success severalal years ago.

UNITED AIRLINES

World Headquarters

FOR IMMEDIATE RELEASE

Contact: United Corporate Communications
tel: (847) 700-5770 OR
(847) 700-2597/6689

Chicago, IL, April 24 - United Airlines confirmed today that it has been in extensive discussions with Delta Air Lines regarding the foundation of a bilateral alliance, but added that the talks have been suspended. Discussions may or may not be resumed in the future. A United/Delta agreement would have provided for code-sharing and customer reward programs between the two carriers, but would not have involved a merger.

The company does not plan on making any further comments on deliberations, short of an agreement. United remains committed to the development of operational and service innovations that benefit the flying public.

###

News Release

Delta Air Lines

Delta Air Lines, Inc.
Post Office Box 20706
Atlanta, Georgia 30320-6001

Fax 404 715 5876
Telex ATLGPDL

Contact: Corporate Communications
(404) 715-2533

DELTA ISSUES STATEMENT CONCERNING STATUS OF ALLIANCE TALKS WITH UNITED AIRLINES

ATLANTA, April 24, 1998 – Delta Air Lines (NYSE: DAL) today confirmed that it has been in extensive discussions with United Airlines (NYSE: UAL) concerning a possible global strategic alliance, including code-sharing and other cooperative commercial activity, which would respond positively to the demands of travelers.

However, Delta stated that at this time discussions between the companies have not reached a conclusion and may or may not reach a conclusion in the future.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

THE DEPARTMENT OF THE TREASURY 1789

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
April 24, 1998

Contact: Michelle Smith
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN ON JAPAN

We welcome the substantial policy measures announced today by the Japanese government. These are positive steps. We hope the government will put these measures into place quickly and effectively and move forward with further actions, including measures to strengthen Japan's financial system and open and deregulate its economy, to help establish a sound basis for long-lasting, domestic-demand-led growth. The whole world, including Japan's Asian neighbors, has a strong interest in seeing Japan succeed in generating a strong domestic recovery that will contribute to recovery in Asia.

-30-

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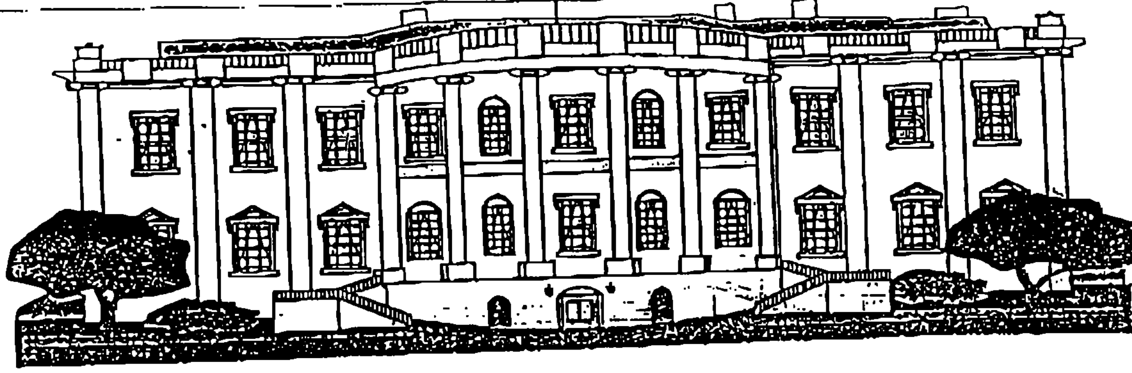
Fax # 647 4402	Fax #	

RR-2390



The White House
National Economic Council

To: Melissa

Phone: Fax:

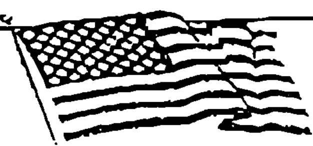
From: Chiet

Phone: (202) 456-6630 Fax: (202) 456-2223

Pages including cover sheet:

Comments:

First three pages → Congressional counter-offer
Last two pages → Copy of our initial offer.



HYBRID BUDGET PROCESS TO GUARANTEE THAT GAS TAX REVENUES ARE SPENT

This option creates a guarantee for the Highway Trust Fund that ensures that gas tax revenues are spent for their intended purpose, yet preserves the integrity of the Budget and Appropriations processes. This process contains three elements.

Non-Guaranteed Portion		Additional funding to total contract authority in ISTEA II / BESTEA.
Guaranteed Portion	New Mandatory Spending offset in Bill	Extra exempts to the point where funding is equal to tax revenues
	WODI Baseline Exempts	Existing Exempts
		WODI baseline adjusted for ARC

First, a firewall would be established under the caps to guarantee highway and transit spending at WODI baseline levels. This firewall would act as a floor on highway/transit funding. Otherwise, the role of the Appropriations Committee would be unchanged. (green portion)

Second, the amount of spending needed to ensure that gas tax revenues are spent for these programs in excess of the baseline would be added to the mandatory side of the budget. This level would be pegged to annual gas tax revenues. The discretionary caps would therefore not have to be changed. (yellow portion)

Third, the Appropriations Committee would be authorized to further increase Highway Trust Fund spending above the guaranteed amount if they choose. The outlays from such increases would be charged to the caps. (red portion)

Guaranteed Budget Calculation Concept - Highways

		1998	1999	2000	2001	2002	2003	Total 98-03	Total 99-03
A.	Tax Revenue (w/o spike)	27.149	27.634	28.066	28.506	28.972	29.471	169.798	142.649
B.	Firewall Programs at Baseline								
	Federal-aid: Ob. Limit	21.500	21.500	21.500	21.500	21.500	21.500	129.000	107.500
	NHTSA: Ob. Limit.	0.186	0.186	0.186	0.186	0.186	0.186	1.116	0.930
	MCSAP: On. Limit	0.085	0.085	0.085	0.085	0.085	0.085	0.510	0.425
	ARC (DOT): BA	-	0.300	0.300	0.300	0.300	0.300	1.500	1.500
	ARC (Energy & Water): BA)	-	0.102	0.102	0.102	0.102	0.102	0.510	0.510
	Subtotal	21.771	22.173	22.173	22.173	22.173	22.173	132.636	110.865
C.	Mandatory Components								
D.	Current Mand. Baseline: BA	0.739	0.739	0.739	0.739	0.739	0.739	4.434	3.695
E.	New Mand.BA (A-B+D) *	1.932	4.722	5.154	5.594	6.060	6.559	30.021	28.089
	Total Mand. BA (D+E)	2.671	5.461	5.893	6.333	6.799	7.298	34.455	31.784
F.	Total Guaranteed: Firewall + Mandatory	24.442	27.634	28.066	28.506	28.972	29.471	167.091	142.649
G.	Total CA - House Bill Assumptions	24.000	28.500	32.200	32.200	32.200	32.200	181.300	157.300
H.	Total CA - Senate Bill Assumptions	24.751	28.761	29.195	29.629	30.100	30.628	173.064	148.313

Revenues = Spending

* Indefinite amount, calculated annually. 1998 shows House assumptions.

HYBRID BUDGET TRANSIT CONCEPT CALCULATION

		1998	1999	2000	2001	2002	2003	Total 98-03	Total 99-03
A.	Tax Revenue	3.407	5.256	4.436	4.506	4.578	4.657	26.840	23.433
B.	**Firewall Programs at Baseline**								
	trust fund capital	2.260	2.260	2.260	2.260	2.260	2.260	13.560	11.300
	formula	2.000	2.000	2.000	2.000	2.000	2.000	12.000	10.000
	general fund formula	0.240	0.240	0.240	0.240	0.240	0.240	1.440	1.200
	UTC	0.006	0.006	0.006	0.006	0.006	0.006	0.036	0.030
	Admin.	0.046	0.046	0.046	0.046	0.046	0.046	0.276	0.230
	Planning	0.092	0.092	0.092	0.092	0.092	0.092	0.552	0.460
	WMATA	–	0.200	0.200	0.200	0.200	0.200	1.000	1.000
	TOTAL	**4.644**	**4.844**	**4.844**	**4.844**	**4.844**	**4.844**	**28.864**	**24.220**
C.	**New Mandatory Program**	**0.000**	**0.563**	**1.031**	**1.031**	**1.031**	**1.031**	**4.689**	4.689
D.	**Total - Firewall + Mandatory**	**4.644**	**5.407**	**5.875**	**5.875**	**5.875**	**5.875**	**33.553**	28.909
E.	Administration Budget Resources	4.800	4.800	4.800	6.100	6.400	6.500	33.400	28.600
F.	Total CA -- House Bill Assumptions	4.895	5.625	6.316	6.316	6.316	6.316	35.784	30.889
G.	Total CA and Guaranteed BA – Senate Bill Assumptions *	4.920	6.053	6.190	6.330	6.473	6.621	36.587	31.667

* (includes $1 billion per year in "Guaranteed" general fund authorizations in FY 1999-03)

ISTEA REAUTHORIZATION

May 5, 1998

Core principles. Final legislation must be consistent with the following principles:

- The projected budget surplus shall not be used to pay for the legislation.
- Spending shall be offset fully, without lowering the cap on other discretionary spending.
- After a phase-in period, total budget resources spent each year should equal total receipts to the Highway Trust Fund (HTF).
- Spending levels in the legislation shall be sustainable after the end of the authorization period.

Aggregate Funding. Any agreement reached on funding issues is contingent on agreement regarding policy issues.

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total $218.9 billion over the period 1998-2004.

- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the HTF will be obligated. Total budgetary resources in each year will equal estimated *prior year* receipts (as in the Chafee-Bond proposal) in order to provide States with certainty about spending levels.

- Assured spending will be distributed between highway spending and transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, highway safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal. This offer assumes that no demonstration projects are funded. If any demonstration projects are included in final legislation, they will need to be funded within the total for highways.

- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

- In 1999 and 2000, total funding would equal the levels in the President's Budget; in 2001, total funding would equal 97 percent of total HTF receipts; in 2002 and beyond, total funding would equal 100 percent of total HTF receipts:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
Prior-Year Receipts[1/]	23.9	32.3	32.4	33.2	33.8	34.4	35.1	225.2
Total								
Budget resources	28.0	27.8	27.7	32.1	33.8	34.4	35.1	218.9
Outlays	26.5	27.3	27.7	28.7	30.8	32.5	33.5	206.9
Hwy Funding								
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*178.8*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.7*	*27.4*	*173.1*
Transit Funding								
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*40.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*33.8*

1/ Receipts have been normalized to eliminate the '97 TRA one-time shift of deposits between '98 and '99.

- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. Outlays savings associated with the VA tobacco offset, *net of funds needed for the President's GI Bill initiative,* are as follows:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
OMB scoring	n.a.	-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-21.8
CBO scoring	n.a.	-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-13.5

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 13, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Franklin D. Raines

SUBJECT: Status of the Intermodal Surface Transportation Efficiency Act (ISTEA) Reauthorization -- INFORMATION

Erskine asked us to send you a comparison of the House and Senate versions of the transportation reauthorization bill now being considered in Conference.

Background

Earlier this month, the Administration offered a compromise on ISTEA that would provide Congress one of their key objectives (a guarantee that annual surface transportation spending would equal Highway Trust Fund receipts). In exchange for this spending guarantee, the proposal would set spending significantly below the levels contemplated in the House and Senate bills. The compromise would preserve the budget surplus and would protect discretionary funding for your other priorities.

Congress would like to complete floor action on this bill prior to the Memorial Day recess that begins May 22, but it is unclear whether they can meet this deadline. ISTEA programs have been operating this year under a short-term extension that permits transit, highway safety, and Department of Transportation administrative programs to continue at a reduced level for the next several months. However, States have been prohibited from obligating new highway construction funds since May 1, 1998. Although construction work continues using carryover funds, the pressure will increase for Congress to authorize a bill quickly.

On May 12, the Administration sent a letter to the conferees (attached) notifying them that your senior advisers will recommend that you veto the conference report if it "makes available an excessive level of budgetary resources if financed by spending the surplus, by reducing the domestic discretionary caps, by using unacceptable offsets, or by forcing cuts in domestic priorities." In addition, the letter stated that your senior advisers would "also recommend veto of a conference report that skews transportation priorities."

Funding Issues

The following table summarizes the funding levels included in the various reauthorization proposals. Each proposal is described in more detail below. For 1999 alone, surface transportation programs would be funded at more than 25 percent above the levels in the President's budget (roughly 1998 enacted). The attachment provides annual funding levels for each proposal.

Comparison of Budgetary Resources 1998-2003
(Mandatory and Discretionary $ in billions)

	Admin. NEXTEA	House BESTEA	Senate ISTEA 2	Admin. May 5 Proposal
Highways	137.6	183.0	177.5	150.3
Transit	28.7	36.7	40.5	33.5
TOTAL	166.5	219.7	218.0	183.8

<u>House: Building an Efficient Surface Transportation Efficiency Act (BESTEA)</u>

The House bill would provide $219.7 billion in budgetary resources, $53 billion above your request. This includes $9.3 billion for almost 1,500 highway demonstration projects that are funded as mandatory spending. Nearly 17 percent of the spending authorized by BESTEA is provided for transit. BESTEA includes a requirement that the Conference Report identify offsets to pay for any spending in the bill above a baseline frozen at the 1998 enacted level. To date, no offsets have been identified.

Under BESTEA, total budgetary resources (the amounts available for obligation) would be set at levels significantly above HTF receipts. Supporters nonetheless claim that "spending equals receipts" because <u>outlays</u> would equal receipts during the period 1998-2003. This of course means that beyond 2003 outlays would significantly exceed tax receipts. BESTEA would guarantee this spending by taking "off budget" all highway and transit spending that is financed by the Highway Trust Fund. To fund the spending contained in BESTEA, other non-defense outlays would need to be reduced by $34 billion during the period 1999-2003.

<u>Senate: The Intermodal Surface Transportation Efficiency Act 2 (ISTEA 2)</u>

The Senate proposal would provide $218 billion in budgetary resources, $51 billion above the President's Request. ISTEA2 includes no demonstration projects, although some

Senate demonstration projects will likely be included in the final bill. ISTEA2 includes a requirement that demonstration projects be incorporated into the regular highway program formula allocations among the States, thereby diminishing the incentive for earmarking. Roughly 19 percent of the total spending in ISTEA 2 would be devoted to transit.

ISTEA2 continues the current budgetary treatment of highway and transit programs. Almost all funding is subject to the appropriations process and is not guaranteed. ISTEA2 does not include any offsets, although the Senate Budget Resolution assumes that many of your new mandatory offset proposals would be redirected to offset highway spending.

Administration Proposal

On May 5, the Administration proposed a compromise designed to reflect four core principles: (1) the budget surplus shall not be used to pay for the legislation; (2) spending shall be offset fully, without lowering the cap on other discretionary spending; (3) after a phase-in period, total budgetary resources spent annually should equal total Trust Fund receipts; and (4) spending levels must be sustainable for the long-run.

The Administration proposal would provide total spending equal to $218.9 billion -- the average of the House and Senate bills -- but spread that spending over seven years rather than the six years contained in BESTEA and ISTEA 2. (The Administration offer would provide $183.8 billion during the 1998-2003 period contemplated by the House and Senate bills, an increase of $17.4 billion in budgetary resources and $8.1 in outlays over our original NEXTEA proposal). As in the Senate bill, the Administration's proposal would provide 19 percent of total resources to transit. No demonstration projects would be provided; to the extent they were included in the final legislation, they would need to be funded out of the total for highways.

The Administration proposal incorporates a key Congressional goal: guaranteeing that annual spending on surface transportation equal to annual receipts into the Highway Trust Fund. In contrast to BESTEA, however, the Administration's proposal sets spending so that budgetary resources, not outlays, equal receipts. This not only lowers the cost of our proposal, but also allows program spending levels to be sustained in the long-run (the House and Senate bills would obligate far more than receipts -- thus, at some time not too far beyond the budget window, spending would have to be curtailed or the gas tax would have to be increased). In addition, the Administration's proposal would guarantee *all* spending for transit and highways alike.

The Administration proposal would phase in the spending guarantee. Spending would equal the levels in the President's Budget for 1999 and 2000, and then rise to 97 percent of prior-year Trust Fund receipts in 2001, and 100 percent of prior-year receipts thereafter. This spending level would be guaranteed by creating a third category of spending (surface transportation) under the Budget Enforcement Act. This category would set not only a *floor*, but also a *ceiling* on surface transportation spending, and thereby protect other discretionary spending from pressure to approve even higher levels of transportation spending.

Our proposal would be offset fully by CBO's current scoring of the $13.5 billion VA/tobacco provision contained in your budget. If CBO chose to adopt OMB scoring of this provision (at $21.8 billion), our proposal would support an additional $8.3 billion of transportation spending through 2004 (net of the spending on veterans' training and education programs).

Key Policy Issues

Many of the priorities included in the Administration's NEXTEA proposal are incorporated in both the House and Senate bills. For example, the Disadvantaged Business Enterprise program has been retained and the new Access to Jobs program is funded. Below are several of the issues that still need to be resolved in Conference.

- .08 Blood Alcohol - As you know, the Senate bill includes a provision which withholds highway construction funds from States (beginning in Fiscal Year 2002) if they have not adopted a .08 blood alcohol concentration standard under state drunk driving laws. The House bill does not contain a similar provision. To date, the conferees have made no progress on this issue.

- Environmental Programs - BESTEA includes an onerous provision that would permit the oversight of the National Environmental Policy Act process to be delegated to the States. In addition, we oppose the transferability of environmental program funds to highway construction.

- Woodrow Wilson Bridge - The Woodrow Wilson Bridge is the only Federally-owned bridge on the Interstate System. The bridge is on the Capitol Beltway south of Washington. The Administration requested $400 million as the Federal share of the $1.9 billion replacement cost, with Maryland and Virginia responsible for the remaining cost. The Senate bill includes $900 million as the Federal share for this project, while the House provides no funding. In discussions with the Maryland and Virginia delegations, the Administration has pledged that it will not oppose up to $900 million as the Federal share and, if Maryland and Virginia want it, a Federal loan to help finance the State share. Maryland and Virginia are pushing for no less than $1.5 billion in Federal grant funding. To date, it appears that $900 million is as much as the States can expect from the conferees.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 12, 1998

The Honorable Bud Shuster
Chairman
Committee on Transportation
2165 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

As the House-Senate conference on reauthorization of the *Intermodal Surface Transportation Efficiency Act* (H.R. 2400) proceeds, I write urging your consideration of a proposal the Administration has made to resolve the important budget issues raised by this legislation.

On April 30, I sent you a letter expressing the Administration's serious concerns about the excessive spending in the House and Senate bills; in particular, that the spending levels would either require unacceptable reductions in high priority discretionary program funding, or they would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first.

These budgetary concerns were reiterated in a May 1 letter to conferees from Secretary Slater, along with a detailed review of other important policy issues that need to be resolved in an acceptable manner in order to bring this legislation to a conclusion. These issues include a stronger national standard for drunk driving and other safety concerns, maintenance of the historical balance in highway-transit funding, and ensuring protection of the environment as we carry out transportation programs.

Last week, during the course of ongoing discussions with conferees, the Administration proposed the attached framework for bridging some of the distance between the funding levels supported by the Administration, the House and the Senate. The framework is based on four principles: (1) the projected budget surplus shall not be used to pay for the legislation; (2) spending shall be offset fully, without lowering the caps on discretionary spending; (3) after a phase-in period, total budget resources spent each year should equal total receipts to the Highway Trust Fund (HTF); and (4) spending levels in the legislation shall be sustainable after the end of the authorization period.

This framework fulfills the objective of many in Congress that one hundred percent of Highway Trust Fund receipts be available for obligation. After an appropriate phase-in period, a new budget mechanism would require that total funding equal 100 percent of total HTF receipts. This funding guarantee would serve as both a floor and a ceiling for fiscal years 1999-2004. In exchange for the unprecedented guarantee of authority to spend all prior year Trust Fund

receipts, this framework also establishes that total surface transportation spending will not exceed receipts. Total funding over the reauthorization period would equal $218.9 billion, which is between the amounts called for in the House and Senate bills. However, this funding would be provided over seven years, instead of six, in order to satisfy the Administration's core principles that the surplus not be depleted and the spending caps not be reduced.

The President's senior advisers would recommend that he veto a conference report that makes available an excessive level of budgetary resources if financed by spending the surplus, by reducing the domestic discretionary caps, by using unacceptable offsets, or by forcing cuts in domestic priorities. We would also recommend veto of a conference report that skews transportation priorities.

We need final action now on this critical legislation. The Administration strongly urges the conferees to seriously consider the framework discussed in this letter, which would ensure stable funding for surface transportation, in a manner that is both fiscally responsible and consistent with the President's pledge to save Social Security first.

Sincerely,

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Director

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The Honorable Ted Stevens
The Honorable Ernest Hollings
The Honorable Pete Domenici
The Honorable Frank Lautenberg
The Honorable Tom Bliley
The Honorable George Brown
The Honorable John Dingell
The Honorable Jim Sensenbrenner

Surface Transportation Reauthorization Funding
Comparison of Congressional and Administration Proposals
(Mandatory and Discretionary $ in billions)

	1998	1999	2000	2001	2002	2003	2004	1998-2003 Total	1998-2004 Total
President's Budget									
BR	28.0	27.8	27.7	27.7	27.7	27.6	27.7	166.5	194.2
OL	26.5	27.3	27.7	27.8	28.0	28.1	28.1	165.4	193.5
Highway/Safety									
BR	*23.1*	*23.0*	*22.9*	*22.9*	*22.8*	*22.8*	*22.8*	*137.6*	*160.4*
OL	*22.3*	*23.3*	*23.4*	*23.3*	*23.2*	*23.1*	*23.2*	*138.7*	*161.9*
Transit									
BR	*4.8*	*4.8*	*4.8*	*4.8*	*4.8*	*4.8*	*4.9*	*28.7*	*33.6*
OL	*4.2*	*3.9*	*4.3*	*4.5*	*4.8*	*4.9*	*4.9*	*26.5*	*31.4*
HR 2400, BESTEA									
BR	29.3	35.0	38.9	38.8	38.9	38.8	--	219.7	--
OL	26.6	28.8	32.9	35.7	37.2	37.9	--	199.1	--
Highway/Safety									
BR	*24.5*	*29.0*	*32.5*	*32.4*	*32.4*	*32.4*	--	*183.0*	--
OL	*22.4*	*24.9*	*28.2*	*30.5*	*31.2*	*31.6*	--	*168.8*	--
Transit									
BR	*4.8*	*6.0*	*6.5*	*6.5*	*6.5*	*6.5*	--	*36.7*	--
OL	*4.2*	*4.0*	*4.7*	*5.3*	*5.9*	*6.3*	--	*30.3*	--
S 1173, ISTEA2									
BR	27.8	36.7	37.4	38.0	38.7	39.5	--	218.0	--
OL	26.4	29.4	33.4	35.5	36.9	38.0	--	199.6	--
Highway/Safety									
BR	*22.9*	*29.8*	*30.4*	*30.9*	*31.4*	*32.0*	--	*177.5*	--
OL	*22.3*	*25.3*	*28.4*	*29.7*	*30.4*	*31.0*	--	*167.1*	--
Transit									
BR	*4.8*	*6.9*	*7.0*	*7.1*	*7.3*	*7.5*	--	*40.5*	--
OL	*4.2*	*4.1*	*5.0*	*5.7*	*6.5*	*7.0*	--	*32.5*	--
Offer									
BR	28.0	27.8	27.7	32.1	33.8	34.4	35.1	183.8	218.9
OL	26.5	27.3	27.7	28.7	30.8	32.5	33.5	173.4	206.9
Highway/Safety									
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*150.3*	*178.8*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.8*	*27.4*	*145.7*	*173.1*
Transit									
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*33.5*	*40.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*27.7*	*33.8*

cc: Lew
Stein
Sperling
Forbes
Brain
Emery
Kieffer
Damus
Robyn
Marr
Lance

FAX COVER SHEET

Number of pages: **5**
(excluding cover sheet)

Date: **5-12-98**

TO: **SAP DISTRIBUTION LIST**

FROM: **OMB LEGISLATIVE AFFAIRS**
Phone: 395-4790

SUBJECT OF SAP:

Director Raines ISTEA Conferees Letter

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 12, 1998

The Honorable Bud Shuster
Chairman
Committee on Transportation
2165 Rayburn House Office Building
Washington, D.C. 20515

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On April 30, I sent you a letter expressing the Administration's serious concerns about the excessive spending in the House and Senate bills; in particular, that the spending levels would either require unacceptable reductions in high priority discretionary program funding, or they would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first.

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This framework fulfills the objective of many in Congress that one hundred percent of Highway Trust Fund receipts be available for obligation. After an appropriate phase-in period, a new budget mechanism would require that total funding equal 100 percent of total HTF receipts. This funding guarantee would serve as both a floor and a ceiling for fiscal years 1999-2004. In exchange for the unprecedented guarantee of authority to spend all prior year Trust Fund

receipts, this framework also establishes that total surface transportation spending will not exceed receipts. Total funding over the reauthorization period would equal $218.9 billion, which is between the amounts called for in the House and Senate bills. However, this funding would be provided over seven years, instead of six, in order to satisfy the Administration's core principles that the surplus not be depleted and the spending caps not be reduced.

The President's senior advisers would recommend that he veto a conference report that makes available an excessive level of budgetary resources if financed by spending the surplus, by reducing the domestic discretionary caps, by using unacceptable offsets, or by forcing cuts in domestic priorities. We would also recommend veto of a conference report that skews transportation priorities.

We need final action now on this critical legislation. The Administration strongly urges the conferees to seriously consider the framework discussed in this letter, which would ensure stable funding for surface transportation, in a manner that is both fiscally responsible and consistent with the President's pledge to save Social Security first.

Sincerely,

Franklin D. Raines
Director

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ISTEA REAUTHORIZATION

May 5, 1998

Core principles. Final legislation must be consistent with the following principles:

- The projected budget surplus shall not be used to pay for the legislation.
- Spending shall be offset fully, without lowering the cap on other discretionary spending.
- After a phase-in period, total budget resources spent each year should equal total receipts to the Highway Trust Fund (HTF).
- Spending levels in the legislation shall be sustainable after the end of the authorization period.

Aggregate Funding. Any agreement reached on funding issues is contingent on agreement regarding policy issues.

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total $218.9 billion over the period 1998-2004.

- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the HTF will be obligated. Total budgetary resources in each year will equal estimated *prior year* receipts (as in the Chafee-Bond proposal) in order to provide States with certainty about spending levels.

- Assured spending will be distributed between highway spending and transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, highway safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal. This offer assumes that no demonstration projects are funded. If any demonstration projects are included in final legislation, they will need to be funded within the total for highways.

- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

- In 1999 and 2000, total funding would equal the levels in the President's Budget; in 2001, total funding would equal 97 percent of total HTF receipts; in 2002 and beyond, total funding would equal 100 percent of total HTF receipts:

(In billions of dollars)

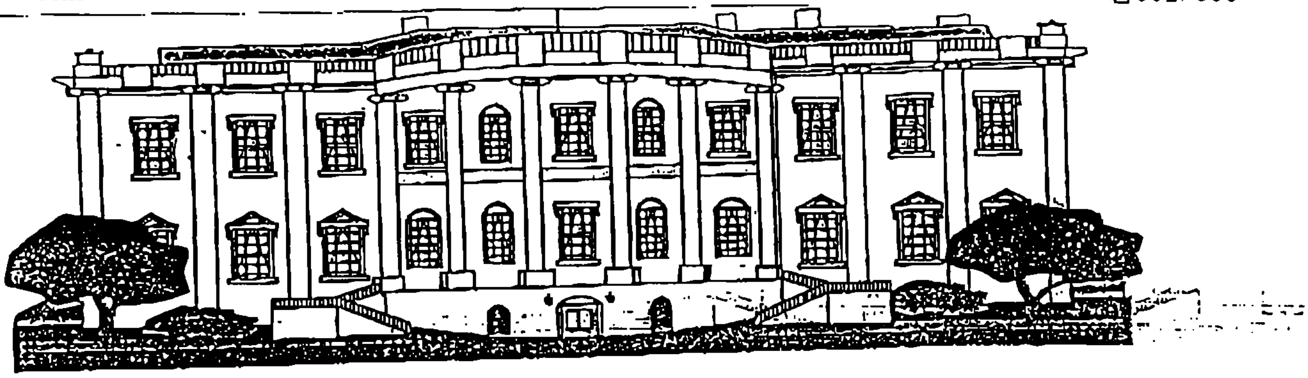
	1998	1999	2000	2001	2002	2003	2004	Total
Prior-Year Receipts[1/]	23.9	32.3	32.4	33.2	33.8	34.4	35.1	225.2
Total								
Budget resources	28.0	27.8	27.7	32.1	33.8	34.4	35.1	218.9
Outlays	26.5	27.3	27.7	28.7	30.8	32.5	33.5	206.9
Hwy Funding								
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*178.8*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.7*	*27.4*	*173.1*
Transit Funding								
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*40.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*33.8*

1/ Receipts have been normalized to eliminate the '97 TRA one-time shift of deposits between '98 and '99.

- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. Outlays savings associated with the VA tobacco offset, *net of funds needed for the President's GI Bill initiative*, are as follows:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
OMB scoring	n.a.	-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-21.8
CBO scoring	n.a.	-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-13.5



The White House
National Economic Council

To: Melissa

Phone: Fax:

From: Chris

Phone: (202) 456-6630 Fax: (202) 456-2223

Pages including cover sheet:

Comments:

First three pages → Congressional counter-offer

Last two pages → copy of our initial offer.

HYBRID BUDGET PROCESS TO GUARANTEE THAT GAS TAX REVENUES ARE SPENT

This option creates a guarantee for the Highway Trust Fund that ensures that gas tax revenues are spent for their intended purpose, yet preserves the integrity of the Budget and Appropriations processes. This process contains three elements.

Non-Guaranteed Portion		Additional funding to total contract authority in ISTEA II / BESTEA.
Guaranteed Portion	New Mandatory Spending offset in Bill	Extra exempts to the point where funding is equal to tax revenues
	WODI Baseline Exempts	Existing Exempts
		WODI baseline adjusted for ARC

First, a firewall would be established under the caps to guarantee highway and transit spending at WODI baseline levels. This firewall would act as a floor on highway/transit funding. Otherwise, the role of the Appropriations Committee would be unchanged. (green portion)

Second, the amount of spending needed to ensure that gas tax revenues are spent for these programs in excess of the baseline would be added to the mandatory side of the budget. This level would be pegged to annual gas tax revenues. The discretionary caps would therefore not have to be changed. (yellow portion)

Third, the Appropriations Committee would be authorized to further increase Highway Trust Fund spending above the guaranteed amount if they choose. The outlays from such increases would be charged to the caps. (red portion)

Guaranteed Budget Calculation Concept - Highways

		1998	1999	2000	2001	2002	2003	Total 98-03	Total 99-03
A.	Tax Revenue (w/o spike)	27.149	27.634	28.066	28.506	28.972	29.471	169.798	142.649
B.	Firewall Programs at Baseline								
	Federal-aid: Ob. Limit	21.500	21.500	21.500	21.500	21.500	21.500	129.000	107.500
	NHTSA: Ob. Limit.	0.186	0.186	0.186	0.186	0.186	0.186	1.116	0.930
	MCSAP: On. Limit	0.085	0.085	0.085	0.085	0.085	0.085	0.510	0.425
	ARC (DOT): BA	-	0.300	0.300	0.300	0.300	0.300	1.500	1.500
	ARC (Energy & Water): BA)	-	0.102	0.102	0.102	0.102	0.102	0.510	0.510
	Subtotal	21.771	22.173	22.173	22.173	22.173	22.173	132.636	110.865
C.	Mandatory Components								
D.	Current Mand. Baseline: BA	0.739	0.739	0.739	0.739	0.739	0.739	4.434	3.695
E.	New Mand.BA (A-B+D) *	1.932	4.722	5.154	5.594	6.060	6.559	30.021	28.089
	Total Mand. BA (D+E)	2.671	5.461	5.893	6.333	6.799	7.298	34.455	31.784
F.	Total Guaranteed: Firewall + Mandatory	24.442	27.634	28.066	28.506	28.972	29.471	167.091	142.649
G.	Total CA - House Bill Assumptions	24.000	28.500	32.200	32.200	32.200	32.200	181.300	157.300
H.	Total CA - Senate Bill Assumptions	24.751	28.761	29.195	29.629	30.100	30.628	173.064	148.313

Revenues = Spending

* Indefinite amount, calculated annually. 1998 shows House assumptions.

HYBRID BUDGET TRANSIT CONCEPT CALCULATION

		1998	1999	2000	2001	2002	2003	Total 98-03	Total 99-03
A.	Tax Revenue	3.407	5.256	4.436	4.506	4.578	4.657	26.840	23.433
B.	**Firewall Programs at Baseline**								
	trust fund capital	2.260	2.260	2.260	2.260	2.260	2.260	13.560	11.300
	formula	2.000	2.000	2.000	2.000	2.000	2.000	12.000	10.000
	general fund formula	0.240	0.240	0.240	0.240	0.240	0.240	1.440	1.200
	UTC	0.006	0.006	0.006	0.006	0.006	0.006	0.036	0.030
	Admin.	0.046	0.046	0.046	0.046	0.046	0.046	0.276	0.230
	Planning	0.092	0.092	0.092	0.092	0.092	0.092	0.552	0.460
	WMATA	–	0.200	0.200	0.200	0.200	0.200	1.000	1.000
	TOTAL	**4.644**	**4.844**	**4.844**	**4.844**	**4.844**	**4.844**	**28.864**	**24.220**
C.	**New Mandatory Program**	**0.000**	**0.563**	**1.031**	**1.031**	**1.031**	**1.031**	**4.689**	4.689
D.	**Total - Firewall + Mandatory**	**4.644**	**5.407**	**5.875**	**5.875**	**5.875**	**5.875**	**33.553**	28.909
E.	Administration Budget Resources	4.800	4.800	4.800	6.100	6.400	6.500	33.400	28.600
F.	Total CA -- House Bill Assumptions	4.895	5.625	6.316	6.316	6.316	6.316	35.784	30.889
G.	Total CA and Guaranteed BA – Senate Bill Assumptions *	4.920	6.053	6.190	6.330	6.473	6.621	36.587	31.667

* (includes $1 billion per year in "Guaranteed" general fund authorizations in FY 1999-03)

ISTEA REAUTHORIZATION

May 5, 1998

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Hwy Funding								
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*178.8*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.7*	*27.4*	*173.1*
Transit Funding								
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*40.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*33.8*

1/ Receipts have been normalized to eliminate the '97 TRA one-time shift of deposits between '98 and '99.

- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. Outlays savings associated with the VA tobacco offset, *net of funds needed for the President's GI Bill initiative*, are as follows:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
OMB scoring	n.a.	-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-21.8
CBO scoring	n.a.	-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-13.5

ISTEA REAUTHORIZATION

May 5, 1998

Core principles. Final legislation must be consistent with the following principles:

- The projected budget surplus shall not be used to pay for the legislation.
- Spending shall be offset fully, without lowering the cap on other discretionary spending.
- After a phase-in period, total budget resources spent each year should equal total receipts to the Highway Trust Fund (HTF).
- Spending levels in the legislation shall be sustainable after the end of the authorization period.

Aggregate Funding. Any agreement reached on funding issues is contingent on agreement regarding policy issues.

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total $218.9 billion over the period 1998-2004.

- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the HTF will be obligated. Total budgetary resources in each year will equal estimated *prior year* receipts (as in the Chafee-Bond proposal) in order to provide States with certainty about spending levels.

- Assured spending will be distributed between highway spending and transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, highway safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal. This offer assumes that no demonstration projects are funded. If any demonstration projects are included in final legislation, they will need to be funded within the total for highways.

- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

- In 1999 and 2000, total funding would equal the levels in the President's Budget; in 2001, total funding would equal 97 percent of total HTF receipts; in 2002 and beyond, total funding would equal 100 percent of total HTF receipts:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
Prior-Year Receipts[1/]	23.9	32.3	32.4	33.2	33.8	34.4	35.1	225.2
Total								
Budget resources	28.0	27.8	27.7	32.1	33.8	34.4	35.1	218.9
Outlays	26.5	27.3	27.7	28.7	30.8	32.5	33.5	206.9
Hwy Funding								
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*178.8*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.7*	*27.4*	*173.1*
Transit Funding								
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*40.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*33.8*

1/ Receipts have been normalized to eliminate the '97 TRA one-time shift of deposits between '98 and '99.

- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. Outlays savings associated with the VA tobacco offset, *net of funds needed for the President's GI Bill initiative*, are as follows:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
OMB scoring	n.a.	-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-21.8
CBO scoring	n.a.	-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-13.5

Surface Transportation Reauthorization Funding
Based upon a percentage of Prior Year HTF Receipts
(Mandatory and Discretionary $ in billions)

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-200 Total
President's Budget													
BR	28.0	27.8	27.7	27.7	27.7	27.6	27.7	28.3	166.5	194.2	138.5	166.2	194.4
OL	26.5	27.3	27.7	27.8	28.0	28.1	28.1	28.4	165.4	193.5	138.9	167.0	195.3
Highway/Safety													
BR	*23.1*	*23.0*	*22.9*	*22.9*	*22.8*	*22.8*	*22.8*	*23.3*	*137.6*	*160.4*	*114.5*	*137.3*	*160.6*
OL	*22.3*	*23.3*	*23.4*	*23.3*	*23.2*	*23.1*	*23.2*	*23.5*	*138.7*	*161.9*	*116.4*	*139.6*	*163.1*
Transit													
BR	*4.8*	*4.8*	*4.8*	*4.8*	*4.8*	*4.8*	*4.9*	*5.0*	*28.7*	*33.6*	*23.9*	*28.8*	*33.8*
OL	*4.2*	*3.9*	*4.3*	*4.5*	*4.8*	*4.9*	*4.9*	*4.8*	*26.5*	*31.4*	*22.4*	*27.2*	*32.1*
Highway Trust Fund Receipts													
Receipts - normalized													
Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
Total	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1
HR 2400, BESTEA													
BR	29.3	35.0	38.9	38.8	38.9	38.8	--	--	219.7	--	190.4	--	--
OL	26.6	28.8	32.9	35.7	37.2	37.9	--	--	199.1	--	172.5	--	--
Highway/Safety													
BR	*24.5*	*29.0*	*32.5*	*32.4*	*32.4*	*32.4*	--	--	*183.0*	--	*158.6*	--	--
OL	*22.4*	*24.9*	*28.2*	*30.5*	*31.2*	*31.6*	--	--	*168.8*	--	*146.4*	--	--
Transit													
BR	*4.8*	*6.0*	*6.5*	*6.5*	*6.5*	*6.5*	--	--	*36.7*	--	*31.9*	--	--
OL	*4.2*	*4.0*	*4.7*	*5.3*	*5.9*	*6.3*	--	--	*30.3*	--	*26.1*	--	--
S 1173, ISTEA2													
BR	27.8	36.7	37.4	38.0	38.7	39.5	--	--	218.0	--	190.3	--	--
OL	26.4	29.4	33.4	35.5	36.9	38.0	--	--	199.6	--	173.2	--	--
Highway/Safety													
BR	*22.9*	*29.8*	*30.4*	*30.9*	*31.4*	*32.0*	--	--	*177.5*	--	*154.6*	--	--
OL	*22.3*	*25.3*	*28.4*	*29.7*	*30.4*	*31.0*	--	--	*167.1*	--	*144.8*	--	--
Transit													
BR	*4.8*	*6.9*	*7.0*	*7.1*	*7.3*	*7.5*	--	--	*40.5*	--	*35.7*	--	--
OL	*4.2*	*4.1*	*5.0*	*5.7*	*6.5*	*7.0*	--	--	*32.5 6/*	--	*28.3*	--	--

Highway Trust Fund Receipts

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-200 Total
Receipts - normalized													
Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
Total	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1
Offer (Enacted, PB, PB, 97%, 100%, 100%, 100%)													
BR	28.0	27.8	27.7	32.1	33.8	34.4	35.1	35.8	183.8	218.9	155.9	191.0	226.7
OL	26.5	27.3	27.7	28.7	30.8	32.5	33.5	34.3	173.4	206.9	146.9	180.4	214.7
Highway/Safety													
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*29.0*	*150.3*	*178.8*	*127.2*	*155.7*	*184.6*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.8*	*27.4*	*28.0*	*145.7*	*173.1*	*123.4*	*150.8*	*178.8*
Transit													
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*6.8*	*33.5*	*40.1*	*28.6*	*35.3*	*42.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*6.3*	*27.7*	*33.8*	*23.6*	*29.6*	*35.9*
Offer above President's Budget													
BR		0.0	0.0	4.4	6.1	6.8	7.5	7.5	17.4	24.8	17.4	24.8	32.3
OL		0.0	0.0	0.9	2.8	4.4	5.4	6.0	8.1	13.5	8.1	13.5	19.5
Highway/Safety													
BR		*0.0*	*0.0*	*3.1*	*4.5*	*5.1*	*5.7*	*5.7*	*12.7*	*18.4*	*12.7*	*18.4*	*24.1*
OL		*0.0*	*0.0*	*0.8*	*2.5*	*3.7*	*4.2*	*4.5*	*7.0*	*11.2*	*7.0*	*11.2*	*15.7*
Transit													
BR		*0.0*	*0.0*	*1.3*	*1.6*	*1.8*	*1.8*	*1.8*	*4.7*	*6.5*	*4.7*	*6.5*	*8.3*
OL		*0.0*	*0.0*	*0.1*	*0.4*	*0.8*	*1.2*	*1.5*	*1.2*	*2.4*	*1.2*	*2.4*	*3.9*
VA Tobacco Cost Savings - Net of President's GI Bill Initiative													
Annual Savings (OL)													
OMB		-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-6.0					
CBO		-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-6.1					
Cumulative Savings													
OMB		-0.7	-1.8	-3.9	-9.9	-15.8	-21.8	-27.7					
CBO		-0.4	-1.1	-2.8	-5.4	-8.9	-13.5	-19.5					

Under current law, Transit revenues equal 13.8% of total Highway receipts in each of the years 98-05.

Under the Offer, Transit spending equals 19% of total Highway receipts.

Notes:

1. Receipts have been normalized to eliminate the impact of the Taxpayer Relief Act of 1997 shift of 2 months motor fuels tax receipts from 1998 into 1999. Actual receipts are $26.1 billion in 1998 and $38.6 billion in 1999.
2. Offer ignores TF/GF distinction and assume all obligations are guaranteed, regardless of source, by some budget mechanism.
3. The split between highways and transit is based upon the Senate ISTEA 2 share of authorization which is 81% highways and 19% transit. The equivalent
4. All scoring is OMB scoring, CBO will be slightly higher.
5. Assumes any demonstration projects would have to be funded out of these totals. No demonstration p[illegible]re included.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 30, 1998

THE DIRECTOR

The Honorable Pete Domenici
Chairman
Committee on the Budget
621 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

As conferees on H.R. 2400 meet to resolve differences between the *Intermodal Surface Transportation Efficiency Act of 1998* and the *Building Efficient Surface Transportation and Equity Act of 1998*, I write to offer the Administration's views on the budgetary implications of this significant and urgently needed legislation. Secretary Slater, in a separate letter, is communicating our views and concerns regarding major programmatic issues in the transportation legislation.

Since the President assumed office in 1993, the Administration has made a commitment to both fiscal discipline and the strategic investments we need to lay the foundation for a strong and healthy economic future. The President's economic program has helped produce economic conditions scarcely imagined in 1993: we have moved the Federal budget from a deficit of $290 billion in 1993 to a likely surplus in 1998, and we now enjoy low unemployment, little or no inflation, sustained economic growth and a level of prosperity that is a model for other countries.

A key component of this economic success is the President's commitment to vital investments in our future. Investing in a reliable, efficient, and a well-constructed system of highway and mass transit is an important domestic priority and critical to our economic success. Reauthorization of the Nation's surface transportation programs is therefore an important part of the President's investment strategy and the Administration supports healthy funding levels for highways, highway safety and public transit. The President's FY 1999 Budget requested 42 percent more for surface transportation than the average annual expenditure in the previous administration.

The Administration, however, has serious concerns about the excessive spending in the House and Senate bills. The funding levels in these bills fail to give due consideration to other priorities in the budget: either they would require unacceptable reductions in high priority discretionary program funding, or they would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first. Both of these outcomes would have unacceptable consequences for the American people.

For example, the House-passed bill fails to offset any of its excess funding and would either result in squandering budget surpluses or would force program cuts of $34 billion below the President's requests. The Senate -- in its Budget Resolution -- proposed to offset some of its excess spending, but did so with offsets that the President had proposed for funding vital domestic initiatives including education, research, and food stamps; and even these offsets would provide far less than would be needed to pay for the excessive increases. As the reauthorization process moves forward, we pledge to work with the conferees to craft a bill that reflects the priorities of the President and the Congress -- and to do that in a way that does not force cuts in other critical programs and does not reject fiscal discipline. We firmly oppose the provision in the House bill that would undermine the fiscal discipline of the Bipartisan Budget Agreement by moving the Highway Trust Fund off-budget.

In addition to the severe budgetary problems raised by H.R. 2400, the Administration remains deeply concerned by several other provisions of the bill. These concerns will be detailed in Secretary Slater's letter. Although the conference has made some progress on these issues, some of the Administration's most serious concerns have not yet been addressed. Nonetheless, we believe it is possible for a good bill to emerge from conference if we work together to resolve these and other concerns -- and do so in a fiscally responsible and expeditious manner.

We need final action now on H.R. 2400. The obligation authority for highway spending ends this week, and carry-over balances in many of our highway safety programs will not sustain them for any extended period.

The Administration looks forward to working with the conferees to develop legislation that reflects sound transportation policies, that is funded at appropriate levels consistent with preserving the surplus and meeting our nation's other pressing priorities, and that the President can sign.

Sincerely,

Franklin D. Raines
Director

Identical Letter Sent To:

The Honorable Bud Shuster
The Honorable James Oberstar
The Honorable Tom Petri
The Honorable Nick Rahall
The Honorable John Chafee
The Honorable Max Baucus
The Honorable John Warner
The Honorable William Roth
The Honorable Daniel Patrick Moynihan
The Honorable Alfonse D'Amato
The Honorable Paul Sarbanes
The Honorable John McCain
The Honorable Ted Stevens
The Honorable Ernest Hollings
The Honorable Pete Domenici
The Honorable Frank Lautenberg
The Honorable Tom Bliley
The Honorable George Brown
The Honorable John Dingell
The Honorable Jim Sensenbrenner

ISTEA REAUTHORIZATION FUNDING ISSUES
DRAFT -- 5/1/98 -- Version 2.0

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total $218.9 billion over the period 1998-2004.

- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the Highway Trust Fund (HTF) will be obligated. To provide certainty about spending levels, total budgetary resources in each year will equal estimated prior year receipts (as in the Chafee-Bond proposal).

- Assured spending will be distributed between total highway-related spending and total transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal.

- The apportionment, or formula allocation, of highway funds will be based on actual receipts deposited in the Highway Account. For purposes of the total budgetary resources provided under this bill, however, 81 percent of all HTF receipts will be deemed as accruing to the Highway Account and 19 percent of all receipts will be deemed as accruing to the Transit Account.

- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

- Proposed year-by-year funding stream:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
Highways/Safety								
Budget resources	23.1	23.0	22.9	26.0	27.4	27.9	28.4	178.8
Outlays	22.3	23.4	23.4	24.1	25.6	26.7	27.4	173.1
Transit								
Budget resources	4.8	4.8	4.8	6.1	6.4	6.5	6.7	40.1
Outlays	4.2	3.9	4.3	4.6	5.1	5.7	6.0	33.8
Total as % HCF receipts	-- Pres. Budget --			97%	100%	100%	100%	100%

- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. If CBO were to adopt OMB scoring of this proposal, surface transportation spending levels could be greater than those noted above.

ISTEA Policy Issues

Issue	Outcome
Safety Issues	
1. .08 BAC	Establish .08 standard plus withholding of Federal-aid funds if States do not implement standard. Support prohibition on open alcoholic containers. (Senate)
2. Truck Size/Safety Exemptions	Avoid piecemeal approach to safety. Drop state-specific exemptions (Louisiana, Colorado, Maine and New Hampshire) as proposed by House.
3. NHTSA Grant Program Levels	Support House funding levels for 402 grant, alcohol, occupational protection and data incentive programs. Support House R&D funding levels.
4. Lobbying Ban	Drop Senate provision. Would adversely affect DOT ability to provide safety information to State/local decision makers.
5. Air Bag Safety	Support Senate provision which suspends unbelted testing standard and establishes timetable for introduction of advanced air bags.
6. Drugged Driving	Authorize $10 M research program as first step toward our proposed incentive grant program.
7. Hazmat Authorization	Senate, w/o special interest exemptions.
8. One-Call Program	Senate, which provides incentives for states to improve one-call systems, w/o exemptions.
9. Highway-Rail Grade Crossing	NEXTEA level of $165 M.
Environment Issues	
10. Environmental Streamlining	Support Senate process language, except for its barring of environmental review of transportation plans. Oppose provision permitting DOT to "close the record" (House). Oppose any pilot programs (House). Oppose provision permitting states to define project's purpose and needs (House).

11. CMAQ	Oppose transferability of CMAQ funds if State has air quality non-attainment or maintenance areas. (House & Senate). Support including new non-attainment areas, PM, and current population data in distribution formula. Support eligibility for funding new non-attainment/maintenance areas and clarify PM eligibility.
Transit Issues	
12. Welfare to Work	$150 M annual authorization, with no limit on project number. Reserve highway training positions for welfare recipients. (Senate) Add employment preferences for EZ/EC (not in either bill).
13. Transit Preventive Maintenance	Eliminate cap of $400 M and restrictive definition in House bill. Allow operating assistance for areas under 200,000; repeal for areas +200,000 (House)
14. Transit/Rail Eligibility	Support STP and NHS flexibility for rail/bus projects and use of NHS funds for intermodal facilities (Senate). Expand STP eligibility to include publicly owned rail.
15. FHWA/FTA Admin Funds	FHWA: Support 1.5% takedown from larger number or programs; FTA: Need equivalent percentage..
Other Policy Issues	
16. Park Roads	NEXTEA level of $161 M. Drop Sec. 1115, the Cooperative Federal Lands Program (Senate).
17. ITS eligibility	Clarify eligibility of Interstate Maintenance, NHS & STP funds for ITS. (Senate) Oppose earmarking.
18. Trade Corridor/Border Crossings	Support multi-state corridor/border planning; oppose designation. Allow funds to be used for other Federal inspection agencies.
19. BTS Funding	NEXTEA level of $31 M
20. Labor Standards	Retain and apply Davis-Bacon/13© to new Federally-funded construction projects and SIBs.
21 Appalachian Highways	NEXTEA level of 2.17 B over 6 years. Oppose expansion of ADHS mileage.

22. Highway and Multimodal R&D	NEXTEA funding levels, including provisions for multimodal research. Support consolidation of University Research Institutes and University Transportation Centers.
23. Mid-Course Correction	Delete House requirement for mid-course corrections bill and possible withholding of FY 2001 funds.
24. Over The Road Buses	Block efforts to include language that would modify or overturn DOT's NPRM requiring intercity buses to be fully accessible to passengers with disabilities..
25. Innovative Finance	Delete Senate innovative financing provision.
26. Rail Credit	Delete House rail credit program.
27. GPS/Motor Carrier Safety	Delete limits on use of GPS data for motor carrier safety enforcement (House).

Tax Issues

28. Ethanol Tax Credit Exemption	Extend current level of tax exemption through 9/30/07. (Senate, without tax exemption phase down)
29. Transit Benefits	Increase transit benefits to at least $100/month. (Senate)

Surface Transportation Reauthorization Funding
Based upon a percentage of Prior Year HTF Receipts
(Mandatory and Discretionary $ in billions)

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-200 Total
President's Budget													
BR	28.0	27.8	27.7	27.7	27.7	27.6	27.7	28.3	166.5	194.2	138.5	166.2	194.4
OL	26.5	27.3	27.7	27.8	28.0	28.1	28.1	28.4	165.4	193.5	138.9	167.0	195.3
Highway/Safety													
BR	23.1	23.0	22.9	22.9	22.8	22.8	22.8	23.3	137.6	160.4	114.5	137.3	160.6
OL	22.3	23.3	23.4	23.3	23.2	23.1	23.2	23.5	138.7	161.9	116.4	139.6	163.1
Transit													
BR	4.8	4.8	4.8	4.8	4.8	4.8	4.9	5.0	28.7	33.6	23.9	28.8	33.8
OL	4 2	3.9	4.3	4.5	4.8	4.9	4.9	4.8	26.5	31.4	22.4	27.2	32.1
Highway Trust Fund Receipts													
Receipts - normalized													
Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
Total	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1
HR 2400, BESTEA													
BR	29.3	35.0	38.9	38.8	38.9	38.8	--	--	219.7	--	190.4	--	--
OL	26.6	28.8	32.9	35.7	37.2	37.9	--	--	199.1	--	172.5	--	--
Highway/Safety													
BR	24.5	29.0	32.5	32.4	32.4	32.4	--	--	183.0	--	158.6	--	--
OL	22 4	24.9	28.2	30.5	31.2	31.6	--	--	168.8	--	146.4	--	--
Transit													
BR	4.8	6.0	6.5	6.5	6.5	6.5	--	--	36.7	--	31.9	--	--
OL	4.2	4.0	4.7	5.3	5.9	6.3	--	--	30.3	--	26.1	--	--
S 1173, ISTEA2													
BR	27.8	36.7	37.4	38.0	38.7	39.5	--	--	218.0	--	190.3	--	--
OL	26.4	29.4	33.4	35.5	36.9	38.0	--	--	199.6	--	173.2	--	--
Highway/Safety													
BR	22.9	29.8	30.4	30.9	31.4	32.0	--	--	177.5	--	154.6	--	--
OL	22.3	25.3	28.4	29.7	30.4	31.0	--	--	167.1	--	144.8	--	--
Transit													
BR	4.8	6.9	7.0	7.1	7.3	7.5	--	--	40.5	--	35.7	--	--
OL	4.2	4.1	5.0	5.7	6.5	7.0	--	--	32.5 6/	--	28.3	--	--

Highway Trust Fund Receipts

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-200 Total
Receipts - normalized													
Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
Total	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1
Offer (Enacted, PB, PB, 97%, 100%, 100%, 100%)													
BR	28.0	27.8	27.7	32.1	33.8	34.4	35.1	35.8	183.8	218.9	155.9	191.0	226.7
OL	26.5	27.3	27.7	28.7	30.8	32.5	33.5	34.3	173.4	206.9	146.9	180.4	214.7
Highway/Safety													
BR	*23.1*	*23.0*	*22.9*	*26.0*	*27.4*	*27.9*	*28.4*	*29.0*	*150.3*	*178.8*	*127.2*	*155.7*	*184.6*
OL	*22.3*	*23.4*	*23.4*	*24.1*	*25.6*	*26.8*	*27.4*	*28.0*	*145.7*	*173.1*	*123.4*	*150.8*	*178.8*
Transit													
BR	*4.8*	*4.8*	*4.8*	*6.1*	*6.4*	*6.5*	*6.7*	*6.8*	*33.5*	*40.1*	*28.6*	*35.3*	*42.1*
OL	*4.2*	*3.9*	*4.3*	*4.6*	*5.1*	*5.7*	*6.0*	*6.3*	*27.7*	*33.8*	*23.6*	*29.6*	*35.9*
Offer above President's Budget													
BR		0.0	0.0	4.4	6.1	6.8	7.5	7.5	17.4	24.8	17.4	24.8	32.3
OL		0.0	0.0	0.9	2.8	4.4	5.4	6.0	8.1	13.5	8.1	13.5	19.5
Highway/Safety													
BR		*0.0*	*0.0*	*3.1*	*4.5*	*5.1*	*5.7*	*5.7*	*12.7*	*18.4*	*12.7*	*18 4*	*24.1*
OL		*0.0*	*0.0*	*0.8*	*2.5*	*3.7*	*4.2*	*4.5*	*7.0*	*11.2*	*7.0*	*11.2*	*15.7*
Transit													
BR		*0.0*	*0.0*	*1.3*	*1.6*	*1.8*	*1.8*	*1.8*	*4.7*	*6.5*	*4.7*	*6 5*	*8.3*
OL		*0.0*	*0.0*	*0.1*	*0.4*	*0.8*	*1.2*	*1.5*	*1.2*	*2.4*	*1.2*	*2.4*	*3.9*

VA Tobacco Cost Savings - Net of President's GI Bill Initiative

	1998	1999	2000	2001	2002	2003	2004	2005
Annual Savings (OL)								
OMB		-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-6.0
CBO		-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-6.1
Cumulative Savings								
OMB		-0.7	-1.8	-3.9	-9.9	-15.8	-21.8	-27.7
CBO		-0.4	-1.1	-2.8	-5.4	-8.9	-13.5	-19.5

→ Cost of GI bill Initiative)

Under current law, Transit revenues equal 13.8% of total Highway receipts in each of the years 98-05.

Under the Offer, Transit spending equals 19% of total Highway receipts.

receipts one year
spend next year

Notes:

1. Receipts have been normalized to eliminate the impact of the Taxpayer Relief Act of 1997 shift of 2 months motor fuels tax receipts from 1998 into 1999. Actual receipts are $26.1 billion in 1998 and $38.6 billion in 1999.
2. Offer ignores TF/GF distinction and assume all obligations are guaranteed, regardless of source, by some budget mechanism.
3. The split between highways and transit is based unpon the Senate ISTEA 2 share of authorization which is 81% highways and 19% transit. The equivalent
4. All scoring is OMB scoring. CBO will be slightly higher.
5. Assumes any demonstration projects would have to be funded out of these totals. No demonstration projects are included.

ISTEA REAUTHORIZATION FUNDING ISSUES
DRAFT -- 5/1/98 -- Version 2.0

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total $218.9 billion over the period 1998-2004.

- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the Highway Trust Fund (HTF) will be obligated. To provide certainty about spending levels, total budgetary resources in each year will equal estimated prior year receipts (as in the Chafee-Bond proposal).

- Assured spending will be distributed between total highway-related spending and total transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal.

- The apportionment, or formula allocation, of highway funds will be based on actual receipts deposited in the Highway Account. For purposes of the total budgetary resources provided under this bill, however, 81 percent of all HTF receipts will be deemed as accruing to the Highway Account and 19 percent of all receipts will be deemed as accruing to the Transit Account.

- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

- Proposed year-by-year funding stream:

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	Total
Highways/Safety								
Budget resources	23.1	23.0	22.9	26.0	27.4	27.9	28.4	178.8
Outlays	22.3	23.4	23.4	24.1	25.6	26.7	27.4	173.1
Transit								
Budget resources	4.8	4.8	4.8	6.1	6.4	6.5	6.7	40.1
Outlays	4.2	3.9	4.3	4.6	5.1	5.7	6.0	33.8
Total as % HCF receipts	-- Pres. Budget --			97%	100%	100%	100%	100%

- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. If CBO were to adopt OMB scoring of this proposal, surface transportation spending levels could be greater than those noted above.

ISTEA Policy Issues

Issue	Outcome
Safety Issues	
1. .08 BAC	Establish .08 standard plus withholding of Federal-aid funds if States do not implement standard. Support prohibition on open alcoholic containers. (Senate)
2. Truck Size/Safety Exemptions	Avoid piecemeal approach to safety. Drop state-specific exemptions (Louisiana, Colorado, Maine and New Hampshire) as proposed by House.
3. NHTSA Grant Program Levels	Support House funding levels for 402 grant, alcohol, occupational protection and data incentive programs. Support House R&D funding levels.
4. Lobbying Ban	Drop Senate provision. Would adversely affect DOT ability to provide safety information to State/local decision makers.
5. Air Bag Safety	Support Senate provision which suspends unbelted testing standard and establishes timetable for introduction of advanced air bags.
6. Drugged Driving	Authorize $10 M research program as first step toward our proposed incentive grant program.
7. Hazmat Authorization	Senate, w/o special interest exemptions.
8. One-Call Program	Senate, which provides incentives for states to improve one-call systems, w/o exemptions.
9. Highway-Rail Grade Crossing	NEXTEA level of $165 M.
Environment Issues	
10. Environmental Streamlining	Support Senate process language, except for its barring of environmental review of transportation plans. Oppose provision permitting DOT to "close the record" (House). Oppose any pilot programs (House). Oppose provision permitting states to define project's purpose and needs (House).

11. CMAQ	Oppose transferability of CMAQ funds if State has air quality non-attainment or maintenance areas. (House & Senate). Support including new non-attainment areas, PM, and current population data in distribution formula. Support eligibility for funding new non-attainment/maintenance areas and clarify PM eligibility.
Transit Issues	
12. Welfare to Work	$150 M annual authorization, with no limit on project number. Reserve highway training positions for welfare recipients. (Senate) Add employment preferences for EZ/EC (not in either bill).
13. Transit Preventive Maintenance	Eliminate cap of $400 M and restrictive definition in House bill. Allow operating assistance for areas under 200,000; repeal for areas +200,000 (House)
14. Transit/Rail Eligibility	Support STP and NHS flexibility for rail/bus projects and use of NHS funds for intermodal facilities (Senate). Expand STP eligibility to include publicly owned rail.
15. FHWA/FTA Admin Funds	FHWA: Support 1.5% takedown from larger number or programs; FTA: Need equivalent percentage..
Other Policy Issues	
16. Park Roads	NEXTEA level of $161 M. Drop Sec. 1115, the Cooperative Federal Lands Program (Senate).
17. ITS eligibility	Clarify eligibility of Interstate Maintenance, NHS & STP funds for ITS. (Senate) Oppose earmarking.
18. Trade Corridor/Border Crossings	Support multi-state corridor/border planning; oppose designation. Allow funds to be used for other Federal inspection agencies.
19. BTS Funding	NEXTEA level of $31 M
20. Labor Standards	Retain and apply Davis-Bacon/13© to new Federally-funded construction projects and SIBs.
21 Appalachian Highways	NEXTEA level of 2.17 B over 6 years. Oppose expansion of ADHS mileage.

22. Highway and Multimodal R&D	NEXTEA funding levels, including provisions for multimodal research. Support consolidation of University Research Institutes and University Transportation Centers.
23. Mid-Course Correction	Delete House requirement for mid-course corrections bill and possible withholding of FY 2001 funds.
24. Over The Road Buses	Block efforts to include language that would modify or overturn DOT's NPRM requiring intercity buses to be fully accessible to passengers with disabilities..
25. Innovative Finance	Delete Senate innovative financing provision.
26. Rail Credit	Delete House rail credit program.
27. GPS/Motor Carrier Safety	Delete limits on use of GPS data for motor carrier safety enforcement (House).

Tax Issues

28. Ethanol Tax Credit Exemption	Extend current level of tax exemption through 9/30/07. (Senate, without tax exemption phase down)
29. Transit Benefits	Increase transit benefits to at least $100/month. (Senate)

Gene-

7:33 pm
4/15/98

Here is some information in response to your request to Tom. —

Let me ~~or~~ Tom know if you have any questions.

Thanks

Glen Weiner
6-6276

PRESIDENT CLINTON ON HIGHWAY FUNDS

1992: President-Elect Clinton Said He Wanted To Increase Transportation Funding In First Press Conference. President Clinton, responding to question about how specifically he would create jobs at his first press conference after elected president in 1992, said,

> "The second thing that we will do is to try to accelerate the investment of our country in infrastructure in terms of road projects, water projects, other projects of that kind that are already on line with the plans there and ready to go in the first year with the commitment that I have to transfer defense cuts into domestic investment. So I want to try to increase transportation funding and those kinds of things to put people to work and they have a lot of spin-off job creation." [President-Elect Clinton News Conference (Reuters Transcript Report), 11/12/92]

1991: Candidate Clinton Called For Accelerated Release of Highway Trust Funds. According to the December 19, 1991 *Boston Globe*, while campaigning in 1991, "Clinton said Bush, and President Reagan before him, long refused to spend millions of dollars that built up in a trust fund supported by taxes earmarked for highway construction."

"'*When we needed public works programs, they slowed down spending because it gave the false impression*' that the highway surplus was helping to balance the budget, Clinton said in an earlier meeting with New Hampshire voters in Hampton. The trust fund operates independently from the accounting of the national budget."

"Vast sums are already on hand, Clinton said, and '*all that money should be put out in the next six months to jump-start the economy.*'" [Boston Globe, 12/19/91]

The November 22, 1991 *Orlando Sentinel Tribune* reported that while campaigning in Florida, "Clinton struck his theme of reordering the nation's priorities to invest more money in education, rebuilding the country's infrastructure such as roads and sewers, and research and development. He urged...speeding up highway spending to spur the economy. [Orlando Sentinel Tribune, 11/22/91]

1991: Then-Governor Clinton Called Hoarding Highway Funds A Mistake. Agreeing with a plan by Senator Dale Bumpers (D-AR) to use federal highway funds to create jobs, then-Governor Clinton said, "I believe it would be an economic stimulus no doubt about it. It's one way to put some investment into the lagging parts of the country." [Arkansas Democrat-Gazette, 2/4/91]

> Clinton: "We the nation's governors have always taken the position that it was a mistake for the administration to hoard the Highway Trust Fund. Our people pay those taxes in

good faith with the promise the money will, in turn, be released to their roads." [Arkansas Democrat-Gazette, 2/4/91]

The February 14, 1991 *Arkansas Democrat-Gazette* reported that "Governors like Clinton have repeatedly complained that the federal government collects the money from the states, then sits on it and borrows against it to pay for deficit budgets." [Arkansas Democrat-Gazette, 2/14/91]

1988: Then-Governor Clinton Wrote In Op-Ed That Federal Gov't Must Provide Leadership By Spending More Highway Trust Fund Money. In a June 24, 1988 *New York Times* op-ed piece entitled "America Is Buckling and Leaking" then-Governor Bill Clinton wrote, "The Federal Government must provide clear and flexible leadership by spending more of our infrastructure trust funds. Billions of taxpayer dollars that were earmarked for infrastructure improvement are idling in Government accounts, collecting interest and being counted against the deficit to give a false impression of deficit reduction." [New York Times, 6/24/88]

The Reuter Transcript Report

November 12, 1992, Thursday, BC cycle

LENGTH: 6145 words

HEADLINE: PRESIDENT-ELECT CLINTON NEWS CONFERENCE

BODY:
Location: Old State House, Little Rock, Ark.

The editor of the report is Steve Ginsburg. Tim Ahmann, Eric Beech, Peter Ramjug and Paul Schomer also are available to help you. If you have questions, please call 202-898-8345. For service problems inside the District of Columbia, call 202-898-8355; outside D.C., call 1-800-537-9755.

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GOVERNOR CLINTON: Good afternoon. I want to thank you all for coming today and I hope you're enjoying my favorite building in our state. I'm here to announce that we are moving along on schedule in the transition process. The appointments that we have released today will put the transition into high gear here in Little Rock and in Washington.

They reflect my commitment to assembling the most qualified and diverse group of people available, including men and women with broad experience, some of whom served in the campaign and others who are just joining us now, as we move towards governing.

I know that some of you may be interested in the Cabinet level appointments. And let me tell you that I don't have any to announce today. But I do want to tell you what I'm doing on it and to spell out some of the criteria that I have established in seeking to fill these positions.

First and foremost, these people must have an unqualified commitment to public service. Tomorrow I will release a code of conduct for official involvement in this transition and in the next several days we'll be laying out the code of ethical conduct that appointees in the Clinton-Gore administration must agree to abide by in order to serve in high office.

I've also pledged to the American people that my Cabinet will look more like America than previous administrations. As I've said before, I think that the great diversity of this nation can and must be a source of strength as we face the challenges that lie ahead.

I have spent several hours already, especially in the last three days working with Senator Gore, with Mr. Christopher and with others discussing potential Cabinet appointments. I have spent an enormous amount of time with Senator Gore and with others discussing the kinds of things we want these departments to do. I think that too often in the past, potential--or president-elects have been in a rush to fill the Cabinet positions before they decided whether they wanted these departments to pursue a different mission than had been pursued in the past and without considering perhaps how these departments should fit one with the other.

Let me just give you, if I might, just one example of that. I have read at least in my history books that some Cabinet appointments are considered major and others are considered minor. I don't know how you would consider the Departments of Commerce and Energy in that regard, but from the kind of economic policy I have laid out and the things that I think we have to do to change this country economically, those are very major appointments. And how they pursue the missions of those departments will affect the success or failure of this administration's economic efforts as well as what is done by the other major economic players.

So I have devoted some time to reviewing potential names. I intend to spend a lot more time doing that. This is something that I am deeply engaged in personally and I think that we will make the appointments in a timely and appropriate fashion.

I'd also like to say that Senator Gore and I have continued the partnership we established in the campaign. He has been here all day working with me and I think that this is perhaps unprecedented but quite good for the country. I think it will strengthen and help us as we move along. I've also made one other commitment in the past I'd like to reiterate today, and that is that I intend to look beyond partisanship in bringing together public servants to help guide our nation for the next four years.

GOVERNOR CLINTON (continuing): If we're going to meet our goals of reviving the economy and carving out a new world for America in the post-Cold War era, we have to put aside a lot of our past preconceptions and I intend to look and am now aggressively looking among not only people of different racial and ethnic backgrounds and men and women, but also people of different political backgrounds who share the common goal of restoring economic growth, job creation and income, and strength to this country. If you have any questions, I'll be glad to try to answer them.

Q: Governor, you campaigned on a theme of economic hope and a pledge of putting Americans back to work. Are you finding it increasingly necessary to scale back the expectations you might have raised?

And second, what do you think you'll have to accomplish in the early months of your campaign to keep alive the hopes you might have raised during the past year?

GOVERNOR CLINTON: Well, I campaigned on a theme of economic hope and creating jobs, and increasing income. I also told the American people repeatedly we didn't get into this business overnight and we're not going to get out of it overnight.

I think what I have to do is to present an aggressive plan to the United States Congress and pass it, and to put together a world class economic team and to take whatever steps that can be taken without new laws being enacted by Congress to revive this economy.

I think all along the way I have to do my best at one of the most important jobs of a president which is to communicate to the American people, to explain exactly where we are at this point in our history, how we got here, and where we're going into the future. There is--there has to be a short-term economic agenda, we've been in this deep recession for a long time now.

There also has to be a long-term economic commitment to increasing the productivity of the American economy so that we can not only create more jobs, but that we can begin to raise incomes of ordinary Americans again for the first time in well over a decade. And I expect that we'll be able to do that.

I expect to keep the focus on these economic issues, and I'm not trying to scale back, or scale down, or anything else. I think the American people understand that these problems are of long duration, and there won't be any overnight miracles, but I think they expect aggressive and prompt action and I'm going to give it to them.

Q: Governor, along those lines, do you intend to propose a middle class tax cutin January as you advanced through the campaign?

GOVERNOR CLINTON: I intend, I intend to propose a tax package that is consistent with what I recommended in the campaign. I have not made any decision to change it.

Q: That was (inaudible).

GOVERNOR CLINTON: That's correct. I've not made any decision to change what I advocated in the putting people first book on the economic issue. If I make a decision to do that I'll let you know, but I have not made a decision to do that.

Q: Governor, the top savings and loan regulator says $ 50 billion is going to be needed to complete the bailout program and finance the deposit insurance fund. Do you intend to ask Congress for this money? If so, how quickly after you take office and will this hurt your ability to finance some of the programs you would like to see implemented?

GOVERNOR CLINTON: Well, it's interesting, they came out with that figure which is a bigger figure than they were using before the election, as soon as the election was over, but I have not--I'm not in a position to accept the figure because I have not been advised about it.

Let me, let me tell you what I'm going to do. I'm going to devote a lot of attention to the condition of the S&L bailout, the RTC, as well as to the condition of the banking system in the country and the potential impact of the new capital requirements coming in on December 19th, and make a judgment on that, and as soon as I do I'll be glad to share it with you.

I'm just not in a position--I don't have all that much confidence in all the decisions that have been made by the RTC. I don't know what our options might be. So I can't tell you precisely what I'll do. It is--it concerned me that that announcement was made, when it was made and the way it was made, with the figure that was tacked on to it, and I think it probably came as kind of a jolt to the American people. But I will do what I think is best and responsible, but I can't accept the figure yet. Andrea.

Q: Governor, Bob Dole said that you're going to have a honeymoon and that he's going to be the chaperon. Do you anticipate that you're going to have a tough time with the opposition? And how do you respond to his comments that you did not have a mandate?

GOVERNOR CLINTON: Well, I think--let me say a couple of things about that. First of all, I think that I--that the American people hope that I have a honeymoon, not for me, but for them. If a honeymoon means a break in partisan political behavior, and an honest attempt by people of goodwill to reach agreement on something that's good for the country.

GOVERNOR CLINTON (continuing): I had a good talk with Senator Dole on the phone yesterday. I'm looking forward, when I go to Washington next week, to see President Bush. I am also looking forward to a meeting, a bipartisan meeting with the leadership in Congress, and I'm going to hold out the hand of cooperation to them, and I think that they will extend it in turn.

I think that the clear mandate of this election, by the way, from the American people was an end of politics-as-usual, and end to the gridlock in Washington, an end to finger-pointing and blame. I think there is no question that there was a mandate in this election.

In terms of whether I got a mandate or not, you know, having a 100-vote electoral majority more than you need is not too bad. There are only a couple of Democrats in this century who've gotten a bigger percentage vote. But arguably, the greatest president we ever had, Abraham Lincoln, was elected with under 40 percent of the vote.

So I think the American people will all now evaluate what I do and whether I do it well and whether they support it.

Q: Do you think that you'll have to scale back, to follow up Gene's question, your legislative agenda to avoid the kind of experience Jimmy Carter had, by putting up so much legislation so quickly that he ended up with a bottleneck?

GOVERNOR CLINTON: Well, one of the things that I think it's important that we do is to set priorities and to proceed with discipline. I think that there are some clear priorities that we have to pursue. We have to have a program for economic growth, job creation, short- and long-term. We have to have a clear plan for deficit reduction over the next four years. We have to have a plan to deal with the exploding costs of health care and the fact that 100,000 Americans are month are losing their coverage, something that is ballooning the Medicaid budgets of this state and virtually every other one in the country, and we have to have a plan for political reform, something I campaigned on and I believe in. And I'm going to do my best to pass a national service program. I think those are the things we have to focus on.

I think we have to proceed with real discipline, but I think the American people want America to get its house in order and want this economy to start working again, and that's what I'll focus on.

Q: Governor, there's a lot concern abroad about what the Clinton foreign policy would be. I wonder if you could tell us what will be your first 100 days plan in foreign policy and what are the attributes you'll be looking for in a secretary of state and in a national security adviser?

GOVERNOR CLINTON: Well, I think I've laid out my foreign policy in great detail and with clear specificity. I've certainly tried to, and I believe that I spoke more to foreign policy than anybody else running in the Democratic primary, at least, and arguably more than my opponents in the general election.

Q: What do you think will be your top priorities?

GOVERNOR CLINTON: Well, my top priorities will be settling on a multi-year plan for a defense budget that I think keeps the defense of this country the strongest in the world and deals with the necessity to downscale; pursuing our continued efforts to reduce nuclear weapons with Russia and with other nuclear powers; working hard to stop the proliferation of weapons of mass destruction--nuclear, biological and chemical; keeping the Middle East peace process on track and doing whatever I can to make sure there is no break in continuity; and doing what I can to strengthen global economic growth, in terms of resolving outstanding matters with Mexico, hopefully resolving the outstanding issues in Europe, and proceeding with a cooperative strategy with the other major economic powers to promote global growth, something which will help us very much.

Q: Governor, the second half of the question?

GOVERNOR CLINTON: Well, I want a secretary of state who understands that we have obligations of continuity and obligations of change, and that basically the pillars of our national security and foreign policy ought to be a different but still very strong defense, a commitment to global growth and economic regeneration here, and the fulfilling of our responsibility as the world's sole superpower to try to promote democracy and freedom and restraint the proliferation of weapons of mass destruction.

I want someone that I think really understands that and can relate well to those issues and to the people around the world dealing with that.

GOVERNOR CLINTON (continuing): And in terms of a national security adviser, I want the same thing. I want people--by the way, I do think that President Bush's group worked pretty well as a team in that area, and that's something that I want. I'm very much committed to picking a national security adviser, secretary of Defense and a secretary of State who can work together on this agenda. I think that's what I ought to be doing.

Q: Governor Clinton, how quickly are you going to move on your pledge to allow gays and lesbians in the military? You're getting some heat for it now. You're getting pressure to do it in January, three days after you take office. How quickly are you going to move?

GOVERNOR CLINTON: Well, I think that--first of all, I am going to move forward on that.

Q: On your 100 day agenda?

GOVERNOR CLINTON: Let me tell you what I'm going to do. My concern here is to do it in a way that is most appropriate for the management of the whole national security and military interests of the country. I want to consult with a lot of people about what our options are, including people who may disagree with me about the ultimate merits. And let me just remind you one more time of how this all came up.

This whole issue really came to light when Secretary of Defense Cheney was asked to comment on a study which said that there were many thousands of men and women who were homosexuals in the military forces who served our country with great distinction and never did anything in their conduct that was destructive of the morale or the purpose of the military.

And I think he referred to this rule as "an old chestnut" or something of that kind.

What I want to do is to come up with an appropriate response that will focus sharply on the fact that we do have people who are homosexuals who served our country with distinction, who were never kicked out of the military. Others, who are being kicked out of the military--one of whom has just been reinstated by court. And the issue ought to be conduct. Has anybody done anything which would disqualify them, whether it's Tailhook scandal or something else. And so what I plan to do in an appropriate fashion, in a prompt fashion, is to put together a group of people and let them advise me about how we might best do this. But I'm not going to change my position on it.

Q: There are a couple of things--there are a lot of things presidents can't do, as you well understand.

GOVERNOR CLINTON: A lot of things.

Q: There are things that presidents can do. Right now there is for instance--there are two executive orders in effect, one of which bans abortion counseling by physicians at clinics, which use federal funds. The other is an executive order that President Bush issued last May which effectively bars Haitian exiles from this country.

Have you made up your mind of what you're going to do with those two issues?

GOVERNOR CLINTON: Yes. Well, I have made up my mind that I am going to change the policy in both areas. I don't believe in the gag rule and I think it should be repealed. And with regard to the Haitians, I think my position on that has been pretty clear all along. I believe that there is a legitimate distinction between political and economic refugees. But I think that we should have a process in which these Haitians get a chance to make their case. I think that the blanket sending them back to Haiti under the circumstances which have prevailed for the last year was an error and so I will modify that process.

I'm not in a position not to tell you exactly how we're going to do it or what the specifics will be, but I can tell you I'm going to change the policy.

Q: You spoke with Don (inaudible) 10 million Americans. Can you tell us specifically what in your 100 day plan will bring jobs to them--specific job programs--and when they can expect to see those jobs?

GOVERNOR CLINTON: Well, we will have at least two things in this plan, which should create jobs in the short run--that is, in this calendar year. First of all, I will ask the Congress to adopt an investment tax credit that I have been advocating for well over a year now to give the private sector incentives to go out and invest in new plant and equipment and to increase their capacity to hire. The proposal--the specific proposal I put in my plan--we had an independent consulting firm evaluate and they said that they believed that that one proposal--just the investment tax credit--would create half a million private sector jobs in the first year alone--just that one proposal.

The second thing that we will do is to try to accelerate the investment of our country in infrastructure in terms of road projects, water projects, other projects of that kind that are already on line with the plans there and ready to go in the first year with the commitment that I have to transfer

defense cuts into domestic investment. So I want to try to increase transportation funding and those kinds of things to put people to work and they have a lot of spin-off job creation.

Those are two specific things. There will be more, which we'll be talking about during the course of this transition, but those are two.

Q: Governor, you suggest that you want to spend a lot of money for infrastructure. You proposed earlier $ 20 billion, but many economists think that's not enough. 50 billion may be necessary. Won't that dramatically increase the deficit as you're trying to increase jobs?

How do you balance these? And secondly, are you beginning to feel overwhelmed by the enormity of the responsibility that you now have?

GOVERNOR CLINTON: No, I'm having a wonderful time. I mean, it is an enormous responsibility, but I asked for it, and it's an indulgence to feel overwhelmed by it. It's like everything else. If you get up every day and go to work, and put one foot in front of the other--I mean, some nights when we--last night, we finished after eleven, and we stood around and think--this is overwhelming, you know. But--but it is in the nature of democratic government that most people can do most jobs if they summon their best effort. And I'm just going to give you my best effort every day.

Now let me answer your question. The major debating point among all the economists about what to do with the economy now is just that. You know--do you--there was the crowd that--there is the group that says go ahead and make big cuts in the deficit now because a few years from now you'll bring down interest rates, even though it will actually drive up unemployment, slow the economy more. And then there's a group that says spend more money now, either by putting more money into construction projects, or by having a huge tax cut.

And then there's--you know, my position is--and we're going to have a chance--we'll test it, we'll see if I'm right. That's what this election was about. I believe that what we have to do is have a disciplined reduction in the debt, so we send a clear signal to the markets at home and abroad that we're going to bring this deficit down. But that we do it more gradually and with a framework which permits us to substantially increase investment.

You see, I believe that we cannot balance this budget ever unless we can get more economic growth than we've got. I think if you look at this anemic growth, the anemic employment, the anemic tax receipts, you're never going to get to a position where the budget is in balance unless you can grow the economy.

But on the other hand, to ignore the deficit is a great mistake. So I'm going to pursue my course which is increased investment, gradual but disciplined reduction of the deficit, and we'll see if it works. Steve.

Q: Is the criticism that has been aired of Mr. Jordan's tobacco connection appropriate, or fair, in your judgment, and, sir, will you ask him to make an adjustment in his affairs?

GOVERNOR CLINTON: Well, I don't think it is--should be--let me, let me answer the question from the point of view of the citizens. I don't think that the American people should be concerned about it. I have asked--keep in mind, everybody is working on the transition, is working for a two-month period, and in his case for nothing. What I have asked them to do is to not attend to their board duties, to basically be on leave from any of their board responsibilities during the time they are working for this transition.

And I have told all the people, even those who are working for free, that they will be subject to the same ethical constraints as the people that we hired to work in this transition which we will announce tomorrow. So in my view that is enough. Now in terms of the tobacco connection, I have two points to make.

First of all, those of you who are familiar with my record and my wife's public statements here at home would have little to be concerned about about us being too close to the tobacco lobby. I've vetoed a smoker's bill of rights that passed overwhelmingly in my legislature in 1991 and I spent the rest of the legislative session trying to fend off an override, which we successfully did.

GOVERNOR CLINTON (continuing): I think Senator Gore's record on public health issues is well known. So that's the first point I want to make.

The second point I'd like to make is that Vernon Jordan is my friend and has been very important to me in the selection of the vice president and in this transition process, but Vernon Jordan is not going to pick these major people who serve in the health care positions. I am.

And so that is my job. I am working hard on this. Nobody on this board is going to be making these decisions. I'm going to make them. So I hope the American people will accept that.

Q: You've set up a fairly elaborate system for the transition of domestic policy advisers. What do you hope to learn from them? And the policies that are passed, will they be yours or theirs?

GOVERNOR CLINTON: Mine. They will be mine, but I can learn a lot from them.

Let me just give you an example. If you take all the things that we have recommended, we have an economic team--on the domestic side, we've got an economic team, a health care team and a team for virtually everything else. It's sort of my reinventing government initiatives--political reform, national service, the criminal justice things I recommended.

Here's why you need a team. It's all very well to say you want an investment tax credit and quite another thing to make the 15 decisions that have to be made to shape the exact bill you want. It's all very well to say, as I have said, that the working poor in this country, who are exploding exponentially, if they work 40 hours a week and have a child at home, should be lifted out of poverty by increasing the refundable income tax credit for the working poor, and another thing to answer the five or six questions that define how you get that done.

In the national service context, all of you who were on this campaign, you heard people applauding and hoping at every turn that idea, and it's one I feel very passionate about but there are a lot of factual questions that have to be asked.

How much money should everybody be able to borrow a year? What contributions should people's families be expected to make, if any? If you put this into effect, how are you going to keep the colleges and universities of this country from using it as an excuse to explode tuition even more? I mean, there are lots of factual questions.

So what these people are going to be doing is trying to figure out how to implement the recommendations we made in the campaign, telling us if there are better ideas that we ought to add to them or modify them, and basically making sure that we've got it all paid for, and then dealing with the practical details of how you take ideas and work them into the incredibly complex laws governing the congressional budgeting process and deal with the committees and all that.

I mean, one of you asked a question about, you said President Carter tried to pass too many things and either didn't get it done or when he did, nobody knew what had happened. One of the things that Ronald Reagan did in passing his program that I think you have to give him a lot of credit for in 1981 is to put a whole lot of changes into omnibus bills by organizing the things properly and making sure it fit with the way that the congressional laws work. I was very impressed with the way they did it, and we will do as much of that as we can. I think the fewer votes you have, the better off you are.

So those are some of the things they'll be doing.

Q: On the economic summit, we're told that you're going to be bringing some of the top business leaders from across the country here to Little Rock to give you their views on what should be done about the economy. By almost anyone's standards, Ross Perot is one of the more successful business leaders. You agreed with some of his economic strategies during the campaign and you appealed to his supporters to be comfortable with voting for you. Would you be comfortable with having him come and be a part of that team?

GOVERNOR CLINTON: I wouldn't be uncomfortable doing that. I have not made up my mind who's going to come.

Q: Will he be invited?

GOVERNOR CLINTON: I've had no discussions on that.

But I'm going to have business leaders here. We'll have some people from labor here who understand the changes that are going on. We'll have some distinguished economists here. We'll have a lot of people who were part of this campaign and some people who weren't. And it will be more in the nature of a retreat in that sense. I mean, I'm asking people to come here and go to work. You know, there's not going to be much posturing and show about this; it's going to be a lot of work.

Q: Ross Perot says he wants to get under the hood. Governor,--

GOVERNOR CLINTON: Wants to what?

Q: Ross Perot says he wants to get under the hood, he's ready to work from day one.

GOVERNOR CLINTON: I expect he'll have a chance to get under the hood.

Q: Governor, are you satisfied with the way in which President Bush has handled the State Department probe into your background during the campaign, or do you think more needs to be done?

GOVERNOR CLINTON: Well, I'm glad Ms. Tamposi had to leave her job about six weeks early--I thought that was an appropriate thing to do. I don't know that I know enough to give you a final judgment. Let me just say this: if I catch anybody using the State Department like that when I'm president, you won't have to wait till after the election to see them gone. I don't want to talk about what happened in the past. The election is over, we don't have a minute to waste looking at the past. I just want you to know that the State Department of this country is not going to be fooling with Bill Clinton's politics, and if I catch anybody doing it I will fire them the next day; you won't have to have an inquiry or rigmarole or anything else--because it is too important to me that the rest of the world see us as having a coherent and, as much as possible, non-political foreign policy.

And let me say, you will see that I've gone out of my way since I was elected to support the idea that President Bush is our president, that he makes foreign policy, and that we're all going to stick with it until there's a change, and this is a part of that to me.

Q: (Inaudible).

GOVERNOR CLINTON: I'm sorry, I didn't hear.

Q: What is your policy toward the Korean peninsula?

GOVERNOR CLINTON: Well, I expect, by the way, to have a talk with President Roh this afternoon. I wish I had had my conversation with him already before we had this. I hope that some day the Korean people will be reunited in a democratic and free society. I hope that we can continue to be a force for the security of South Korea. And I hope very much that the North Koreans will not be successful in developing real nuclear capacity.

Q: Can you give us some more details about the lobbying restrictions and ethics package you're going to announce, and tell us what real impact do you think they're going to have on the way business is done in Washington? Whose interests are going to be better represented because of them and whose won't?

GOVERNOR CLINTON: I don't want to give more details, because otherwise we won't have anything else to do the next time we meet. But let me tell you what I'm--on the first question, let me answer you this way. Tomorrow, I will release what I--what will be the rules for people involved in the transition, and several days after that we will release, as we finalize them, what will be the rules for people who take high positions in the administration.

Then we will release those things which require legislative changes in rules relating to lobbyists and campaign finance reform, but I will push to the Congress, and I will do that in three separate stages during this transition process. What change I expect is that I think the main--let me back up and say, first of all, lobbying is a part of people's First Amendment rights. I bet nearly everybody in here has been a lobbyist or a supplicant, or something at one time or another before a public body.

If there were a bill pending in Congress to substantially restrict the application of the First Amendment all of you would happily show up and say why it was a lousy idea and you would be lobbyists, but that wouldn't make you bad people. It would make you patriotic Americans.

The problem with the system that we have is that if-- that all decisions are made by organized groups, then very often the public interest is not served.

So how do I expect this to change? I think the code of ethics requirements on the executive branch will give people confidence that whatever decisions we make in dealing with economic issues here and beyond our borders will be made by people who can not in turn profit for (sic) them for several years after they leave the government.

And that will increase the credibility of our decisionmaking. Secondly, if we can pass lobby reform through the Congress, it will--it will leaven the influence of special interest groups with the public interest because people will know more about what lobbyists are doing when they're doing it.

Thirdly, if we can pass campaign finance reform, I think every election will be like this last election. That is, I don't think incumbents will have a free ride in the Congress even when things settle down some. If you have limits on total spending you open the airways to debate and you limit the influence of PACs, and I think every election can be like this presidential election.

People have to go on the talk shows, they have to do the debates, they have to do the town meetings. They have to honestly defend their records in order to get reelected.

Q: (inaudible) Little Rock is not Washington and you face increased security as president-elect--

GOVERNOR CLINTON: Thank goodness.

Q: --and you also face increased media scrutiny. Will we see you on the streets of Washington a lot jogging and are you frustrated by the bubble?

GOVERNOR CLINTON: Well, I'm a little bit--you know, I'm a real sort of informal person. I live in an atmosphere that is highly personal and informal and I know my friends and neighbors, and my constituents can come up to me and talk to me on the street. But I would hope that both Senator Gore and I would be able to maintain some greater level of ongoing personal contact with folks than is typically the case. Now I know there are security concerns and we've talked to the Secret Service about that, and I have no criticism of them. I think they do a fine job.

But I think that one of the reasons we made this campaign a success is because we went out of our way to demonstrate, both of us together and separately, that we could be genuinely accessible to the American people and that we were interested in them, and I think that there are a lot of things you do in your own personal habits that send that signal out. So I hope I'll be able to do it. May not.

Q: Governor (inaudible) that you had some options for action without congressional help to move the economy along. Could you be specific about what those options are?

GOVERNOR CLINTON: I could when I'm really ready to talk about what I want to do. I don't want to--I think it's very important for me not to be hypothetical in that and I need to settle on what I'm going to do and then tell you. I think I shouldn't be hypothetical. Yes?

Q: You had mentioned twice now the spread of nuclear weapons in your statement and also you've expressed concern about North Korea, and also Iran, another unfriendly nation is getting close to--what is it that you can do to prevent that and is that a concern that you, now that you have more information is that a deepening concern?

GOVERNOR CLINTON: Well, it's been a concern of mine for some time, and I know it's also a concern of Senator Gore's. I think we will have to work on the right kind of test ban, the right kind of agreement not to proliferate our transfer technologies. I think we'll have to work on trying to help promote some elemental security procedures for our allies who are willing to help us. I mean, you know, we're living in a different world now with the disintegration of the former Soviet Union and even the disintegration of ordinary means of security. And when you find whatever is was, six or seven pounds of enriched uranium in the back of car at rest stop in Germany you see what you're up against.

I just think that this is something that will require a great deal of our attention and a very disciplined and consistent effort to try to keep this stuff down. And we're going to do what we can.

Thank you very much.

The Boston Globe

December 19, 1991, Thursday, City Edition

SECTION: NATIONAL/FOREIGN; Pg. 22

LENGTH: 710 words

HEADLINE: In N.H., Clinton urges faster use of road fund

BYLINE: By Curtis Wilkie and John Milne, Globe Staff

DATELINE: PORTSMOUTH, N.H.

BODY:

Gov. Bill Clinton of Arkansas called yesterday for an accelerated release of highway trust funds to "jump-start" the American economy and accused the Bush administration of holding back spending on highway construction to make the federal deficit look smaller.

Clinton, a candidate for the Democratic presidential nomination, described as "way too tepid" the action that Bush took yesterday in Texas: the signing of a new highway bill. The White House hailed the measure, which provides for a five-year, $ 151 billion construction program, as evidence that the administration is moving to stimulate job growth.

Also seeking votes in Portsmouth yesterday was Jerry Brown, the former California governor and another of the Democrats seeking the party's presidential nomination. Brown accused the Cable News Network of trying to censor his campaign for the presidential nomination by preventing him from repeating on the air the toll-free number that he uses for organizing and fund-raising.

At a rally in Portsmouth, Brown drew cheers when he read a letter that he had written to CNN's owner, Ted Turner, complaining that he had been prevented from appearing on Monday's "Crossfire" television program because he wanted to repeat his toll-free telephone number.

"It is ironic," he said, "that CNN and other media outlets are attempting to censor a presidential campaign that seeks to reach beyond the small elite that now bankrolls national politics, especially when you allow David Duke to communicate his racist and anti-Semitic views and Saddam Hussein to threaten death to Americans."

CNN's vice president for public relations, Steve Haworth, said the network is not trying to censor Brown and invited him to appear on "Crossfire" last night. "We are asking all candidates who appear on CNN not to use CNN for direct fund-raising solicitations," Haworth said.

Brown did appear on the show last night, and over the station's objections did repeat his toll-free number on the air. The network allowed the program to continue despite the violation of its ground rules.

Brown said he has used the number to attract volunteers and contributions. He said 14,000 people called after he repeated the number on a candidate debate televised by NBC on Sunday. "I'd like to see the 800 number be used as a technology of involvement," Brown said on "Crossfire."

Earlier in the day, Clinton appeared at a City Hall reception sponsored by Portsmouth's mayor, Eileen Foley. Clinton said Bush, and President Reagan before him, long refused to spend millions of dollars that built up in a trust fund supported by taxes earmarked for highway construction.

"When we needed public works programs, they slowed down spending because it gave the false impression" that the highway surplus was helping to balance the budget, Clinton said in an earlier meeting with New Hampshire voters in Hampton. The trust fund operates independently from the accounting of the national budget.

Vast sums are already on hand, Clinton said, and "all that money should be put out in the next six months to jump-start the economy."

During his day of campaigning along New Hampshire's seacoast, Clinton was also critical of another prospective rival in 1992. Anticipating the entrance of Gov. Mario Cuomo of New York into the Democratic race before Friday's filing deadline in New Hampshire, Clinton said: "I always thought he'd run, and I always thought he'd wait until the last minute. . . . He waited long enough to see which way the wind was blowing."

Clinton is a longtime rival of Cuomo among Democratic Party leaders as well as the nation's governors. He speculated that Cuomo was not emboldened to run until the victory in Pennsylvania last month by Harris Wofford, a Democrat who defeated Bush's ally, Dick Thornburg, for a US Senate seat. Clinton entered the race weeks before the Pennsylvania election.

The 45-year-old Clinton said Cuomo, who will be 60 next June, "sees this as his last chance to run for president."

Clinton also crossed over briefly into Maine, where Democratic caucuses will be held the weekend after the Feb. 18 New Hampshire primary. He spoke at a Kittery reception hosted by one of his key supporters in the state, Portland's mayor, Tom Allen.

GRAPHIC: PHOTO, Gov. Mario Cuomo takes a quick ride in his office yesterday in a lighter moment after discussing New York's budget crisis with reporters. / AP PHOTO

Orlando Sentinel Tribune

November 22, 1991 Friday, 3 STAR

SECTION: A SECTION; Pg. A4

LENGTH: 539 words

HEADLINE: FREDERICK PUTS IN WORD FOR CLINTON; MAYOR SAYS CANDIDATE TALKS 'MY KIND OF THING'

BYLINE: By Peter Mitchell of The Sentinel Staff

BODY:

Arkansas Gov. Bill Clinton swept through Orlando Thursday, winning kind words from Mayor Bill Frederick as the nation's presidential candidates battle for Florida's Democratic activists.

"He's the first Democrat who's had any real national appeal that rings any bells with me," said Frederick, a Democrat who often steers clear of partisan politics. "He's talking my kind of thing."

The mayor will not become involved in any presidential campaigns, however. Frederick said he pledged to avoid such activities after Orlando announced it would join the Bush administration's "points of light" program.

Yet Frederick made clear his attachment to Clinton's centrist appeal.

"Lord knows we need a change," said the mayor of the city that will be host of the state Democratic convention in December. "Neither of the party platforms is worth a damn."

Frederick's comments come as the Democratic presidential contenders step up their efforts in anticipation of the state party's Dec. 15 presidential straw poll.

Clinton, on his second Florida visit, is recovering after a slow start in a state that should be a natural for the moderate Southern governor. His campaign, buoyed by help from Lt. Gov. Buddy MacKay, has won wide support from state lawmakers and is beginning to contact local activists.

But Clinton's chief opponents in the Florida straw poll - the South's first measure of support - are also busy. Iowa Sen. Tom Harkin's campaign has a full-time staffer in the state. Supporters for Nebraska Sen. Bob Kerrey are planning a party this weekend to woo Central Florida activists.

Other activists report getting calls from supporters of former Massachusetts Sen. Paul Tsongas. There has been little action from Virginia Gov. Doug Wilder or former California Gov. Jerry Brown.

"I doubt that there is really any front-runner," said Volusia County Democratic Chairman T. Wayne Bailey. "But that will change as we move toward Dec. 15."

Thursday, speaking at a morning fund-raising breakfast in the Citrus Club and talking with students in a portable classroom at Jones High School, Clinton struck his theme of reordering the nation's priorities to invest more money in education, rebuilding the country's infrastructure such as roads and sewers, and research and development.

He urged higher taxes on those earning more than $200,000 to support a 10-percent tax cut for the middle class. He backed lower credit card interest rates, increased government-backed mortgage guarantees and **speeding up highway spending to spur the economy.**

At the Citrus Club, Clinton raised almost $10,000, said Dick Batchelor, one of the organizers of Clinton's three-hour campaign swing. At the suggestion of MacKay, Clinton's press opportunity was staged before Jones High School students participating in Compact, a drop-out prevention program.

The students, who had discussed possible questions the day before, peppered Clinton with some sophisticated queries. One asked his feelings on abortion.

"I believe it should be legal, safe and rare," Clinton said, backing the protections offered under the Supreme Court's Roe vs. Wade decision. "I don't think abortion is a good thing. I just don't think it should be turned into a crime."

GRAPHIC: PHOTO: Bill Clinton talks with students at Jones High School in Orlando. JOHN RAOUX/SENTINEL

LANGUAGE: ENGLISH

COLUMN: Vote '92

LOAD-DATE: May 15, 1993

Arkansas Democrat-Gazette

February 04, 1991, Monday

LENGTH: 574 words

HEADLINE: Bush wants $15.$1.3 billion more in federal highway money this coming year for road work a move welcomed by many of the nation's governors, who complain Washington hoards the money. White House sources told the Arkansas Gazette Sunday that Bush will recommend spending $15.8 billion from the Highway Trust Fund in the next federal budget year, which begins Oct. 1, when he unveils his spending plan today. " That's great," said Arkansas Gov. Bill Clinton, when told the amount.

BODY:

. WASHINGTON President Bush will ask Congress today to spend $1.3 billion more in federal highway money this coming year for road work a move welcomed by many of the nation's governors, who complain Washington hoards the money.

White House sources told the Arkansas Gazette Sunday that Bush will recommend spending $15.8 billion from the Highway Trust Fund in the next federal budget year, which begins Oct. 1, when he unveils his spending plan today.

" That's great," said Arkansas Gov. Bill Clinton, when told the amount.

But while higher than the $14.5 billion being spent this current budget year, it's less than the $16.5 billion that Clinton and other governors gathered here for the winter meeting of the National Governors' Association are seeking.

The bad news for governors is that the president who will urge that more than $85 billion be spent on highways over the next five years also will seek to change the formula by which the money is divvied up between the states.

Bush will seek to require states to put up roughly 30 percent of the money. Now, states have to provide about 15 percent in matching funds.

That will require the states, which contract for the work, to cough up more matching money up front on their end to get the federal road and bridge dollars from Washington.

To many of the governors, most of whom are faced with tight budgets in a recession, this is the wrong time to tamper with the formula.

And some officials, including Sen. Dale Bumpers, D-Ark., have suggested that all the highway money that the federal government collects next year should be made available for road work as a way of spurring the economy in recessionary times.

" You can tap that fund in a dramatic way," Bumpers told the Gazette. " You could pump-prime the economy. A lot of public works jobs could be created.<"

With Congress financially strapped and locked into a five-year plan of reducing federal deficits, Bumpers said, there are very few places Washington can go to get money to create jobs and try to jump-start the economy except the highway fund.

Clinton said Bumpers was "absolutely right" and hoped he could persuade his fellow Democrats in Congress to go along with it.

" I believe it would be an economic stimulus no doubt about it," Clinton said. " It's one way to put some investment into the lagging parts of the country.

" We the nation's governors have always taken the position that it was a mistake for the administration to hoard the Highway Trust Fund. Our people pay those taxes in good faith with the promise the money will, in turn, be released to their roads.<"

The federal gasoline tax, which was hiked a nickel a gallon last year by Congress, is to be parceled back to the states for road and bridge construction and repair.

But as federal budget deficits have mounted in Washington, the Congress and administrations have sat on the funds and borrowed against them. And half of last year's nickel-a-gallon increase is now earmarked to lower federal deficits, rather than being spent on transportation work.

At present, the federal highway fund has a surplus of roughly $20 billion.

Missouri Gov. John Ashcroft, a Republican, has urged that all but between $1 billion to $2 billion of the fund be tapped and that all the 2.5 cents of the new increase that is to go to roads be spent as it comes in.

Other governors Republicans and Democrats alike are advocating the same sort of thing.<

Arkansas Democrat-Gazette

February 14, 1991, Thursday

LENGTH: 608 words

HEADLINE: SEE END OF TEXT Federal highway funds rise //Arkansas to get more, but also must pay more Associated Press JEFFEREY STINSONNEWS WASHINGTON Arkansas
would get $92 million more in federal highway money next year and $645 million more over the next five years under President Bush's new transportation proposal provided the state can come up with additional matching money to pry it loose.$105 billion proposed transportation plan is Arkansas's share of a proposed 39 percent increase in federal highway funding nationally through 1996. The president's proposal also calls for an increase next year in mass transit aid to Little Rock and North Little Rock.

BODY:

. WASHINGTON Arkansas would get $92 million more in federal highway money next year and $645 million more over the next five years under President Bush's new transportation proposal provided the state can come up with additional matching money to pry it loose.

The increase unveiled Wednesday as part of Bush's five-year, $105 billion proposed transportation plan is Arkansas's share of a proposed 39 percent increase in federal highway funding nationally through 1996.

The president's proposal also calls for an increase next year in mass transit aid to Little Rock and North Little Rock.

Specifically, the amount of money from the federal Highway Trust Fund that would be available to the state for road and bridge work under the president's plan would rise from $146 million this year to $238 million next year, and to $361 million in 1996. That's a total five-year gain of $645 million over the current amount.

But federal highway dollars will be harder for states such as Arkansas to come by because the president has proposed that states put more so-called "matching" dollars up front to get the money for the work.

On average right now, the states pay 15 percent of the cost of highway projects with the federal government paying the rest, up to the amount allotted to states under the federal distribution formula.

Under the president's proposal, states would have to provide about 30 percent to get the federal dollars.

Gov. Bill Clinton who has consistently complained that Washington collects fuel taxes from Arkansas motorists without returning it said last week Arkansas would have to increase its state gasoline tax at least a penny per gallon, and maybe more, to qualify for the new, higher levels of federal money available.

Specifically, the president's plan calls for the states to pay for 25 percent of the work on roads not part of the interstate highway system that will be included in a newly designated national highway system.

For work on the interstates, the states still will have to come up with just 10 percent of the money.

For other roads that won't be part of the national system, or which aren't part of the interstate system, the states would have to put up 40 percent of the money to get the federal dollars.

The states, however, would have greater flexibility to shift federal transportation dollars between local projects, including mass transit projects.

And the proposal recommends removing restrictions on using federal dollars to build and repair toll roads. It would allow states to pay for up to 35 percent of their toll road work with federal money.

The federal Highway Trust Fund, which has about a $20 billion surplus, is funded through federal taxes on motor fuel. The money coming into it will increase this year because Congress last year raised the federal tax a nickel a gallon, with 2.5 cents of it going into the trust fund and the other half going to reduce the bloated federal deficit.

Governors like Clinton have repeatedly complained that the federal government collects the money from the states, then sits on it and borrows against it to pay for deficit budgets.

And now, they argue, the president and Congress have tapped into what traditionally has been a key source of state revenue to try to hold deficits down.

Under the new match proposal, which the Arkansas Gazette reported last week, Clinton complained that the states would have to raise their state gasoline taxes to get Highway Trust Fund money that is rightfully theirs. CAPTION: ON THE HOME FRONT: President Bush unveils a $105 billion five-year plan Wednesday to improve highways and mass transit systems.<

The New York Times

June 24, 1988, Friday, Late City Final Edition

SECTION: Section A; Page 31, Column 2; Editorial Desk

LENGTH: 792 words

HEADLINE: America Is Buckling and Leaking

BYLINE: By Bill Clinton; Bill Clinton is the Governor of Arkansas and immediate past chairman of the National Governors Association.

BODY:
America is falling apart, literally.

Federal budget pressures and changes in the Federal tax law in the 1980's have steepened a decline in public works spending that dates to the 1950's. If the downward trend continues, Americans will see increasing evidence of deterioration in our highways, water and sewer systems, bridges and other building blocks of the nation's infrastructure.

Whatever strategy our next President uses to spur our economic growth, one thing is certain: Our infrastructure is just barely adequate to support our current level of economic activity, and our current rate of infrastructure improvement and investment falls vastly short of tomorrow's needs.

In a 1984 study, for example, Arkansas's cities and counties reported $862.9 million of critical repair and replacement projects needed for streets, roads and drainage, bridges, water, waste-water facilities and solid waste collection and disposal facilities. The National Transportation Safety Board said recently that it would take $51.4 billion just to replace or rehabilitate all the deficient bridges in the country.

A recent report by the National Council on Public Works Improvement contained some alarming statistics. The share of public works spending at all levels of government has declined drastically, from nearly 20 percent of total expenditures in 1950 to less than 7 percent in 1984. Total public spending on infrastructure has dropped from 3.6 percent of gross national product in 1960 to 2.6 percent in 1985. Measured in 1984 dollars, state and local capital investment peaked in 1972 at $34 billion; annual Federal outlays for capital peaked at $25 billion in the late 1970's.

Declining public works investment will inevitably undercut the benefits of private capital investment. **If our basic transportation, water supply and waste disposal systems continue to deteriorate, more money will come out of the private sector's bottom line, thus eroding American productivity.**

In many ways, disinvestment in public works is as serious a national problem as the budget and trade deficits. Clearly, the next President and Congress must develop a cohesive strategy for meeting these needs.

No single sector of government can afford or manage the revitalization of our nation's economic foundation alone. **We need to combine strategy with flexibility at all levels, guided by three main principles: 1. Accelerated spending of the Federal highway, transit, aviation and waterways trust funds.** 2. Greater control over infrastructure spending at local levels. 3. More financing of public works by those who benefit from them.

The Federal Government must provide clear and flexible leadership by spending more of our infrastructure trust funds. Billions of taxpayer dollars that were earmarked for infrastructure improvement are idling in Government accounts, collecting interest and being counted against the deficit to give a false impression of deficit reduction.

In addition, the Federal Government must allow state and local governments more options on how to spend Federal money. Too often, these monies come with complicated and unworkable matching programs and local spending requirements that cannot always be met on a timely basis, resulting in delays that often increase costs substantially.

There should also be a shift in Federal policy on tax-exempt bonds. By imposing restrictions on this market to increase revenues, the Federal Government has increased the cost of capital to state and local governments. This, in turn, creates greater demand for the limited Federal grant monies available and reduces overall infrastructure investment. For states and localities to use tax-exempt bonds to meet public needs, the Government must provide more flexibility than is now permitted. under present law.

Tax revision has had a further destructive impact on local finance. The alternative minimum tax has reduced the number of purchasers of tax-exempt bonds while driving up the bonds' cost in capital-poor states like Arkansas. In effect, the Government is shifting responsibility for meeting more public needs down to the state and local level while restricting the tools we need to respond.

States and localities also need to act. If the Federal Government does its part by reducing restrictions on municipalities' ability to raise capital, then local governments must make effective use of the money by creating rational capital budgeting processes and developing programs of planned maintenance and repair.

The infrastructure catch-up game we are playing in many of our major cities right now is horrendously expensive and inefficient, as the Williamsburg Bridge closing demonstrated vividly to New Yorkers. It also compromises our future.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

Stein
Sperling
Raines

cc: [illegible]

MEMORANDUM TO THE VICE PRESIDENT AND THE CHIEF OF STAFF

Send to
Larry Stein
Gene Sperling
Frank Raines

FROM: **DAN GLICKMAN, SECRETARY**
JIM LYONS, UNDER SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT

APR 22 1998

SUBJ: **ISTEA BILL AND FOREST SERVICE ROADS**

There is an urgent and immediate need to fund the rehabilitation of roads on the national forests in the amount of $250 million annually through the public lands highway program in the ISTEA. The Forest Service has 386,000 miles of roads. About 20 percent of these roads get 80 percent of the public use. Yet, there is a maintenance backlog on these roads of $10.5 billion and 1000 bridges that are not structurally-sound. Dealing with this backlog is critical to the success of the President's Clean Water Action Plan, to Administration efforts to restore salmon habitat in the Pacific NW and California, and to improving public access for recreation and tourism on the national forests (which is double similar activities on the National Parks).

The ISTEA bill in the Senate and BSTEA in the House include funds for National Park roads (Senate @ $140 million/ House @ $ 99 mil.), for national fish and wildlife refuges (Senate @ $20 mil.), and for Bureau of Indian Affairs (Senate @ $250 mil./House @ $212 mil.). No funds were provided for reconstruction and rehabilitation of National Forest roads – despite the fact that these roads constitute 55 percent of the total public lands highway system mileage.

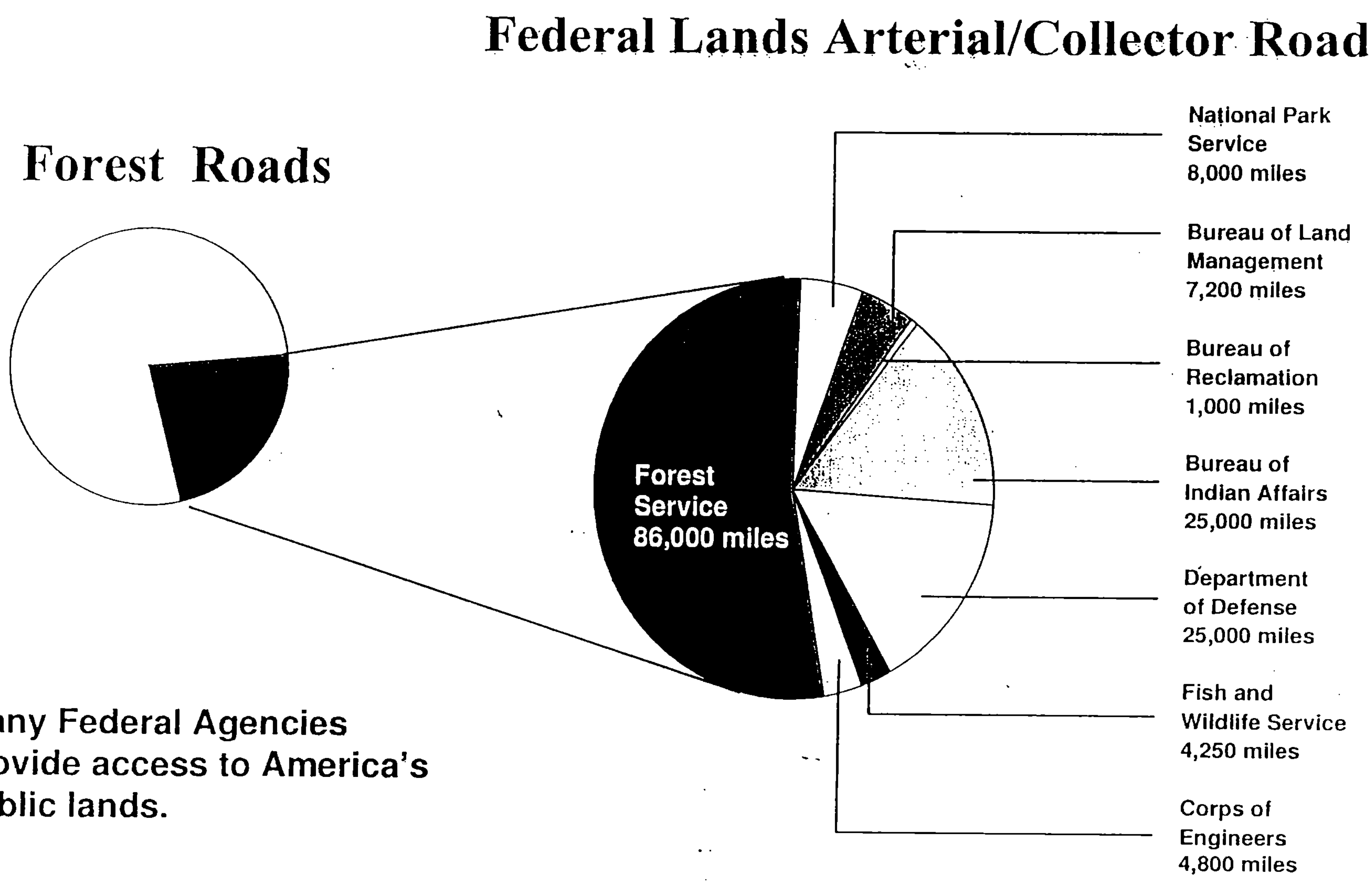
The Forest Service has been the focus of much Congressional, environmental, and media attention during the Administration's tenure. Last year, Mike Dombeck became Chief and began a substantial effort to turn the organization in a fundamentally new direction. As a part of this effort, Mike established a moratorium on new road building into roadless areas. Strong Administration support for this initiative was met with stiff opposition from Western Republicans. Next, Mike introduced his "Natural Resources Agenda" which focuses on four key items: (1) restoring watershed health; (2) sustainable forestry; (3) recreation; and (4) roads.

A key to Mike's success is Administration support for ISTEA funds to deal with the maintenance backlog on national forest roads. This is not funding for new road construction, but to address public safety and environmental problems on the most heavily used national forest roads.

Adding $250 million in contract authority for the Forest Service under the Public Lands Highway Program in ISTEA should be a top priority for the Administration in conference. This could be an environmental win for the Administration, demonstrate support for the Chief (see attached N.Y. Times editorials), and will help Mike set a new course for the Forest Service.

cc: Katie McGinty, Chair, Council on Environmental Quality

Federal Lands Road System



- Many Federal Agencies provide access to America's public lands.

SATURDAY, APRIL 4, 1998

The New York Times

Founded in 1851

ADOLPH S. OCHS, *Publisher 1896-1935*
ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
ORVIL E. DRYFOOS, *Publisher 1961-1963*
ARTHUR OCHS SULZBERGER, *Publisher 1963-1992*

Showdown on the National Forests

Michael Dombeck made it clear from the start that he was going to be different from other Federal Forest Service chiefs. He wanted to trim the annual timber harvest, protect watersheds, restore wildlife habitat. He wanted to save the national forests, not cut them down.

This was heresy from an agency long regarded as a willing captive of the timber industry and its Congressional allies from timber-producing states. No less surprising was that Mr. Dombeck came equipped with a strategy. In January he announced a moratorium on new logging roads, a move that would effectively put 30 million acres of national forest — one-sixth the total — off-limits to logging.

The timber interests and their political patrons have reacted in fury. By letter and in public hearings, Republican committee chairmen with jurisdiction over the Forest Service — Alaska's Frank Murkowski and Idaho's Larry Craig in the Senate, Alaska's Don Young and Idaho's Helen Chenoweth in the House — have threatened to slash the Forest Service budget unless Mr. Dombeck increases timber production. On the legislative front, Mr. Craig has offered a mischievous rider to an appropriations bill that would require the Forest Service to make up for the loss of timber sales in roadless areas by authorizing compensatory cuts elsewhere. Meanwhile, Ms. Chenoweth's allies have organized anti-Dombeck rallies, warning of big layoffs in the industry if his policies survive.

This has the makings of one of the nastiest environmental struggles of the year, in part because the timber interests and their political patrons were already feeling aggrieved. Following decades of heavy production, the timber harvest on public lands has declined by more than half in the last 10 years. More vigorous prosecution of environmental laws and setting aside land to protect the spotted owl had much to do with this.

Mr. Dombeck will need help from the White House, which should threaten to veto any bill that undercuts his strategy. He will also need help from the same moderate Republicans who roused themselves three years ago to turn back efforts by their right-wing colleagues to weaken the country's basic environmental laws. Working together, the White House and the moderates, organized by Representative Sherwood Boehlert of New York, have already managed to fend off early Congressional challenges to Mr. Dombeck's program. But they must stick together in the weeks to come. Mr. Dombeck's opponents are resentful and resourceful.

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WEDNESDAY, JANUARY 14, 1998

A Positive Shift in Forest Policy

Michael Dombeck, the chief of the United States Forest Service, will soon announce a moratorium on construction of new logging roads in remote sections of most of the national forests. That will be a courageous change in policy for an agency long regarded as a willing captive of the timber industry it is supposed to regulate.

The moratorium will protect millions of acres from new logging, elevating the forests' environmental values — clean water and wildlife — above commercial values. It will also greatly annoy powerful politicians from resource-driven states in the West. This means that the White House, which agrees with Mr. Dombeck in principle, should be prepared to support him against an almost certain legislative effort to overturn the policy.

The moratorium would only apply to pristine areas that have so far been left untouched by roads or logging — about 60 million acres, or roughly 30 percent of the national forest system. But Mr. Dombeck will also tighten rules governing new roads in those parts of the system where logging roads already exist. In addition, he will close some roads that have outlived their usefulness and try to extract money from Congress to repair others that threaten the environment. Of the more than 400,000 miles of roads that crisscross the national forests, fully 60 percent are in bad shape — inviting floods and landslides, clogging streams and destroying habitat for fish and other species.

The environmental community has been cheering Mr. Dombeck on, even though it fears that political pressures will force him to exempt two huge timber zones from the road-building ban. These are Alaska's Tongass National Forest and the forests in the Pacific Northwest that provide habitat for the spotted owl. Northwestern legislators, especially Alaska's small but influential Congressional delegation, control the committees that oversee and finance Mr. Dombeck's agency. If provoked, they may try to scuttle his entire plan.

Our hope is that Mr. Dombeck — with President Clinton's vocal support — will take them on, applying his moratorium to the Tongass and the Pacific Northwest as well. That would make a very good policy even better.