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ISTEA [Intermodal Surface Transportation Efficiency Act] Reauthorization [binder] [1]

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ISTEA REAUTHORIZATION

ISTEA REAUTHORIZATION

NEXTEA

*THE NATIONAL ECONOMIC
CROSSROADS TRANSPORTATION
EFFICIENCY ACT*

*SHAPING AMERICA'S SURFACE
TRANSPORTATION SYSTEM FOR THE
21ST CENTURY*

MARCH 12, 1997

THE NATIONAL ECONOMIC CROSSROADS TRANSPORTATION EFFICIENCY ACT

Today, President Clinton will announce the National Economic Crossroads Transportation Efficiency Act (NEXTEA), a six-year, \$175 billion investment program to improve America's highways, bridges, transit systems, and railroads; lower the toll in lives and health care costs from motor vehicle crashes; enhance America's environment; and support mobility and economic prosperity. NEXTEA increases surface transportation funding by \$17 billion, or 11 percent, over the \$157 billion authorized by ISTEA.

■ "REBUILDING AMERICA" -- \$175 BILLION INVESTMENT WHILE BALANCING THE BUDGET

- Increases funding for core highway programs by 30 percent over ISTEA levels.
- Provides greater flexibility for states and localities to target funds that best meet community needs.
- Expands programs for innovative financing to leverage federal dollars.
- Provides \$600 million to deploy intelligent transportation technology to cut travel time and enhance safety.

■ PUTTING A STRONGER EMPHASIS ON SAFETY

- Increases funding for the National Highway Transportation Safety Administration by 25 percent to \$395 million.
- Increases highway and truck safety funding by \$2 billion.
- Increases funding for drunk driving prevention by 60 percent.
- Creates and expands programs to increase the proper use of safety belts and child restraints, reduce drunk and drugged driving, and continue research into building safer roads and vehicles.

■ PROTECTING THE ENVIRONMENT

- Increases funding for the Congestion Mitigation and Air Quality Improvement Program (CMAQ) by 30 percent, to \$1.3 billion annually.
- Increases Transportation Enhancements funding by more than 25 percent to support bike paths, pedestrian walkways and other community-oriented projects.
- Expands CMAQ eligibility to include regions that fail to meet any new air quality standard.
- Provides greater flexibility for state and local investment in non-polluting modes of transportation.

■ INVESTING \$600 MILLION TO MOVE PEOPLE FROM WELFARE TO WORK

- Supports flexible, innovative transportation alternatives, such as vanpools, to get people to where the jobs are.
- Increases incentives for states and localities to provide job training for federally-funded technology and construction projects.

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REBUILDING AMERICA

America's prosperity and quality of life are linked to our transportation system's efficiency, which keeps production costs low and maintains our international competitiveness. When President Clinton promised to "rebuild America" five years ago, this system suffered from inadequate capacity, deteriorating infrastructure, and poor connections among different forms of transportation. The President has worked with Congress to make good on his promise, taking advantage of ISTEA to raise infrastructure investment to record levels.

ISTEA SUCCESSES

- ✓ Under President Clinton, federal transportation infrastructure investment increased 21 percent, to an average of \$25.5 billion annually.
- ✓ Many indicators of highway conditions and performance have stabilized or improved. The condition of bridges and highway pavement, which had been deteriorating, has stabilized. We have kept pace with our transportation system's maintenance requirements and stopped its deterioration.
- ✓ Transit investment has increased, including over \$3 billion transferred using ISTEA's flexible funding provisions. Nearly 26,000 new buses and nearly 600 new rail cars have been bought for state and local transit agencies, and more than 100 miles of new transit lines serving more than 100 new stations are under construction. Transit speeds have improved by an average of about 10 percent.

KEY NEXTEA PROVISIONS

- NEXTEA builds on ISTEA's successes while helping us to move towards a balanced budget. It would authorize about \$175 billion for surface transportation programs from 1998 through 2003, an 11 percent increase over ISTEA. The proposed authorization levels would sustain or expand core programs such as the National Highway System, maintenance of the Interstate Highways, bridge reconstruction, and mass transit.
- NEXTEA gives state and local officials greater flexibility to target funds towards projects that best meet community needs, including Amtrak and intercity rail passenger facilities. It also increases the tools available to them by making intelligent transportation systems eligible under all major program categories and by expanding innovative finance strategies to cut red tape and to leverage private and nonfederal public resources.

A COMMITMENT TO SAFETY

More than 40,000 Americans die and three million are injured in motor vehicle crashes each year, inflicting a tragic toll on millions of families. In addition, these crashes cost our economy \$150 billion annually, including \$14 billion paid directly by taxpayers for expenses such as health care and emergency services. Improved safety can help to control these costs.

ISTEA SUCCESSES

- ✓ Under ISTEA, with its enhanced commitment to safety, highway fatalities have been lower than in decades, averaging about 41,000 annually. Safety belt use has grown from 11 percent of motorists in 1982 to 68 percent last year. Alcohol-related fatalities have decreased from 57 percent of crashes in 1982 to 41 percent in 1995.

KEY NEXTEA PROVISIONS

Our challenge is to continue the progress on safety even as traffic increases. Recently, we have seen warning signs that we may be approaching the limits of progress under ISTEA: the fatality rate has stagnated, increases in safety belt use have leveled off, and the number of alcohol-related deaths has increased. NEXTEA would attack these problems by focusing on three key areas: driver behavior, road design, and vehicle standards.

Safer Drivers

- NEXTEA would increase NHTSA safety funding by 25 percent to \$395 million, and fund incentive programs to reduce drugged and drunken driving, to increase safety belt use, and to collect improved data on highway safety to better identify and solve safety problems.
- \$9 million annually in financial incentives would be provided for states to increase proper use of safety belts and child restraints.
- NEXTEA would increase funding for drunk driving prevention by 60 percent to \$40 million in 1998, and reward states for aggressively reducing drunk driving through administrative driver's license suspensions and revocations, programs to prevent minors from drinking, and effective sanctions for repeat offenders.

- NEXTEA would provide \$5 million annually beginning in 1999 in grants to states to prevent drugged driving. A state would be eligible for these grants if it adopted five of nine countermeasures, including zero tolerance laws, administrative license suspension for those driving under the influence, and pre-license drug testing.

Safer Roads

- Under ISTEA, funding was set aside to eliminate road hazards and to make highway-rail grade crossings safer. Grade crossing deaths alone have dropped by 31 percent. NEXTEA would build on this progress by replacing this set-aside with a flexible, six-year, \$3.2 billion Infrastructure Safety Program. States would now have the ability to transfer funds to enforcement and behavioral programs if they would have a greater impact on safety.

Safer Vehicles

- States would have increased flexibility for tougher enforcement, such as targeting shippers who encourage truckers to violate rules and increasing penalties for violators. States also would be reimbursed for border enforcement and other high-priority activities that improve trucking safety.
- Under NEXTEA, the freeze on the size and weight of larger combination trucks on Interstate Highways and other routes would continue. We are doing a comprehensive study of this and related issues, and may soon propose additional steps in future safety legislation.
- Much progress on safety has been the result of vehicle design aimed at protecting motorists in crashes. NEXTEA would build on the progress to date with a \$45 million annual research program targeted at improving crash avoidance and crash worthiness. In addition, more than a third of intelligent transportation systems research would be focused on collision avoidance systems and other "smart vehicle" technologies that prevent crashes.
- A new focus on performance in safety programs would measure effectiveness by looking at quantifiable results, not at how much money or effort is put into solutions.

I NCREASING INVESTMENT THROUGH INNOVATIVE FINANCING

In spite of ISTEA's record investment, the federal government alone cannot meet all of our infrastructure needs. President Clinton recognized this in his January 1994 Executive Order on infrastructure, in which he directed us to cut red tape to speed construction and supplement federal funds by leveraging private and nonfederal public investment.

ISTEA SUCCESSES

- ✓ President Clinton's Partnership for Transportation Investment accelerated 74 projects worth \$4.5 billion, including \$1.2 billion in investment beyond that available through conventional financing. Projects are advancing an average of two years ahead of schedule, saving interest and inflation costs.
- ✓ Some innovative finance initiatives also advance other national priorities, such as in Missouri and Arizona, where entrepreneurs were given permission to install fiber optic cable within highway rights-of-way in return for reserving part of the cable as the backbone of statewide intelligent transportation systems.
- ✓ The new State Infrastructure Bank program uses federal seed money to leverage private and nonfederal public funds in 10 pilot states. Among the proposed uses of these funds are: a loan to start construction on a highway interchange without waiting for the full federal funding to be accumulated; a loan to finance a toll road's interest costs while it is being built, before revenues can begin to pay off the construction debt; and a loan to buy new light rail vehicles.
- ✓ We provided a direct loan to California's Alameda Corridor, which will speed shipping from Los Angeles' port by creating a dedicated freight rail corridor. We also provided standby lines of credit to secure private financing for California toll roads; at a cost of just \$18 million, we supported \$2.5 billion in construction financing

KEY NEXTEA PROVISIONS

- NEXTEA would open the State Infrastructure Bank program to all states, increase the federal seed money dedicated to these banks, and allow states to use up to 10 percent of their regular federal-aid highway funds to capitalize their banks.
- \$100 million annually would be dedicated to help leverage nonfederal public resources for projects of national significance, such as interstate trade corridors.

ENSURING GLOBAL COMPETITIVENESS

Under President Clinton, America is once again the most economically-competitive nation in the world and its leading exporter, and this is due in great measure to the reliability and low costs of our transportation system. In an increasingly-global economy, keeping transportation efficient is crucial to our continued competitiveness and to taking advantage of the markets opened by NAFTA and GATT.

ISTEA SUCCESSES

- ✓ Seamless connections among different forms of transportation, such as between trucks, railroads, and seaports, are important for efficiency, and ISTEA-funded projects are making possible these connections. These projects include truck-rail freight transfer facilities in Stark County, Ohio, and Auburn, Maine, and projects in Portland, Oregon and Seattle designed to improve rail and truck access to seaports.
- ✓ Projects such as the Red Hook barge transfer, which daily takes hundreds of trucks off New York's crowded streets, often have important social and environmental benefits, and ISTEA made them eligible for funding through such flexible initiatives as the Congestion Mitigation and Air Quality Improvement Program and our innovative finance programs.

KEY NEXTEA PROVISIONS

- NEXTEA would facilitate trade by creating new programs to improve border crossings and develop major trade corridors within the U.S., cutting congestion and eliminating bottlenecks.
- NEXTEA would support projects of national significance, such as those focused on trade corridors, through dedicated funds and by expanding the State Infrastructure Bank program.
- The proposal would expand funding eligibility to include access to intermodal terminals and water ports. This is a vital change since much international trade -- 98 percent by weight, 50 percent by value -- is shipped through ports. These programs also would make eligible for funding Amtrak and intercity rail passenger and public freight facilities and intelligent transportation systems projects, which can improve the logistics crucial to "just-in-time" deliveries.

IMPROVING ACCESS TO JOBS AND TRAINING

One of the biggest barriers faced by those moving from welfare rolls to payrolls is finding transportation to jobs, training, and support services such as day care. Poverty and welfare eligibility rules mean that few welfare recipients own cars, and public transit often provides inadequate connections to job and training centers. This problem is becoming more serious, since two-thirds of new jobs are in suburbs. To support his comprehensive welfare reform initiative, President Clinton proposes to build on existing transit programs that work with innovative approaches to helping people make the transition to the working world.

ISTEA SUCCESSES

- ✓ Our Livable Communities program integrates transit with jobs, schools, and housing. In Corpus Christi, local residents worked with local officials on developing three bus transfer centers and improving pedestrian access to local amenities, and a Los Angeles neighborhood initiative generated a hundred new jobs and helped to cut crime by 19 percent.
- ✓ The Joblinks program provides transportation and training in both urban and rural areas. Oregon's Glendale-Azalea School District used Joblinks funds to transport 400 unemployed and undereducated residents to training and to jobs in the first year alone. The success of initiatives such as Joblinks and Livable Communities provides a model for new efforts to improve community access to jobs and other necessities.

KEY NEXTEA PROVISIONS

- NEXTEA includes a six-year, \$600 million grant program to support flexible, innovative transportation alternatives, such as vanpools, to get people to where the jobs are. Funding would also provide access to training centers and to support services such as day care at transit links. This program would be closely coordinated with other human services assistance that would be provided to states and localities working to meet the special needs of the welfare population.
- Since transportation and construction jobs are among America's best-paying, we want to open opportunities in these fields for welfare recipients and other disadvantaged people. NEXTEA would increase incentives for states and localities to provide job training in conjunction with federally-funded technology and construction projects, and to enable them to offer hiring preferences to welfare recipients and residents of Empowerment Zones and Enterprise Communities.

PROTECTING THE ENVIRONMENT

Scientific research demonstrates the effects of pollution on our health and on the ecological systems which sustain human life. President Clinton has taken advantage of ISTEA's landmark environmental provisions to reduce air and water pollution, to preserve wetlands and open space, and to make transportation facilities more compatible with the environment.

ISTEA SUCCESSES

- ✓ The largest ISTEA environmental initiative is the Congestion Mitigation and Air Quality Improvement Program (CMAQ), which authorized \$1 billion annually under ISTEA to help communities meet national standards for healthy air. CMAQ has funded such innovative projects as cleaner natural gas buses in Cleveland and Boise, a child care center to promote ridership at a San Jose transit facility, and an inspection and maintenance program in Indiana, which ensures that auto emissions systems continue to cut pollution.
- ✓ ISTEA supported important travel alternatives, such as bikeways and pedestrian paths, and preserved scenic and historic roadside vistas, supporting tourism and strengthening local economies.

KEY NEXTEA PROVISIONS

- NEXTEA would increase CMAQ funding by 30 percent, to \$1.3 billion annually, and expand funding eligibility to include scrappage of higher-polluting pre-1980 vehicles. It also would act on new research on the dangers of particulate matter by allowing areas that do not meet health standards for this pollutant to receive CMAQ funds. NEXTEA also would ensure that no state loses CMAQ funds as a result of the Environmental Protection Agency's proposed changes in air quality standards.
- NEXTEA would increase Transportation Enhancements funding by more than 25 percent, supporting projects designed to strengthen the cultural, aesthetic, and environmental aspects of our transportation system.
- The National Scenic Byways program, which designates roads of aesthetic or historic value and funds improvements to them, would be continued, and the list of eligible activities would be expanded to include scenic byway marketing programs. Funding for recreational trails, bicycle transportation and pedestrian walkways, landscaping, and wildflower plantings also would be continued, as would ISTEA's commitment to inclusive transportation planning which reflects such community values as environmental preservation.

IMPROVING TRANSPORTATION THROUGH TECHNOLOGY

Technology can improve the performance of roads and transit systems and effectively increase their capacity, especially in urban areas where new construction is too expensive or environmentally unsound. Technology also can make travel safe: most automobile crashes involve human error, and advanced collision avoidance systems and highway-rail grade crossing warnings can save hundreds of lives annually. Finally, technology can provide the logistical support needed for such innovations as "just-in-time" deliveries, which are cutting costs and improving productivity at nearly a third of U.S. companies.

ISTEA SUCCESSES

- ✓ ISTE A established a major federal commitment to intelligent transportation systems (ITS), the application of advanced information and communications technologies to travel. The federal role includes providing seed money for development and deployment, assistance in the creation of technology standards to promote system integration, and the coordination of public and private research efforts.
- ✓ The first generation of ITS is already being deployed: in Denver, synchronized traffic signals reduced travel times by over 15 to 20 percent, and in Seattle, ramp metering has cut accident rates by more than 60 percent. *Operation TimeSaver*, an initiative to reduce travel times in 75 cities by 15 percent over the next decade, was launched last year. Under this initiative, states may use their federal transportation funds to deploy ITS systems.
- ✓ Overall federal transportation research and technology investment increased to record levels, \$930 million in 1997 alone. Initiatives resulting from this investment include high-performance materials, such as Superpave asphalt, which cost less and last longer, and the application of global positioning satellite systems to aviation and maritime navigation.

KEY NEXTEA PROVISIONS

- NEXTEA would provide states and localities with ITS training and technical assistance, and fund a \$600 million incentive program to help cities integrate their ITS programs and to help rural areas deploy ITS to improve safety, mobility, and commercial vehicle operations. It also would expand the eligibility of all major program categories to include ITS, so technology will always be considered as a strategy for meeting travel demand.
- NEXTEA would increase overall federal investment in technology research for initiatives including advanced composites for stronger, safer roads and bridges and second-generation ITS technologies such as collision avoidance systems.

STRENGTHENING URBAN COMMUNITIES

Sound transportation is crucial for sustaining economic prosperity and a high quality of life in our cities. Targeted infrastructure investment can reduce congestion and improve connections so businesses can take advantage of the city's proximity to suppliers, support services, markets, and amenities. Such investment also can generate jobs for city residents, directly through construction, and indirectly by attracting new businesses.

ISTEA SUCCESSES

- ✓ ISTEAs strengthened the role of cities in the transportation planning process, giving cities greater control over a substantial portion of federal funds and enabling them to choose projects which best met urban needs.
- ✓ Together with the increased flexibility of many programs, this enabled funding to be transferred to such urban needs as transit. Over \$3 billion traditionally earmarked for highways was used for high-priority transit projects, most in cities, and overall transit funding increased under ISTEA, reaching a record \$6 billion in 1995 alone.

KEY NEXTEA PROVISIONS

- NEXTEA sustains investment in mass transportation by increasing direct federal transit funding to \$5 billion a year, by increasing the flexible Surface Transportation Program, and by making Amtrak and intercity rail terminals eligible for funding. Transit programs would be streamlined to make it easier for local officials to select the options that make the most sense for their communities
- NEXTEA includes a six-year, \$600 million program to support flexible, innovative transportation alternatives, such as vanpools, to get people to where the jobs are and to provide access to training and such support services as child care.
- Technology can provide needed additional urban travel capacity with less disruption to established communities and at less cost than new construction. NEXTEA proposes to make intelligent transportation systems eligible under all major programs, and to create an incentive program to ensure that these technologies are fully integrated.
- NEXTEA would further strengthen the role of central cities in regional planning and simplify federal planning requirements.

SERVING RURAL AMERICA

Transportation is as vital to rural areas as it is to cities. Sound transport is vital for shipping raw materials and agricultural products. Tourism, generated by the four in five Americans who drive for pleasure in rural areas, sustains many local economies. And many rural residents rely on transit to reach schools, health care, and other necessary services.

ISTEA SUCSESSES

- ✓ ISTEA provided over \$1 billion for special projects in rural America, such as protecting scenic roadside vistas, preserving historic transportation facilities, and beautifying communities with bicycle and pedestrian facilities.
- ✓ ISTEA benefitted rural areas with provisions like special transit programs for small communities, transportation enhancements, scenic byways, and set-asides for off-system bridges.

KEY NEXTEA PROVISIONS

- NEXTEA would strengthen rural communities' involvement in transportation planning by requiring coordination with local rural officials when statewide transportation plans are developed.
- NEXTEA would increase investment in core programs affecting rural areas, such as the National Highway System, Transportation Enhancements, and Rural Transit Assistance, and expand funding eligibility to include Amtrak and intercity rail and bus, two key lifeline for rural America.
- NEXTEA would raise authorizations for the Federal Lands Highways Program to \$525 million, funding improvements on roads in national parks and forests, Indian reservations, and other public lands.



United States Senate
Committee on Environment and Public Works
Washington, D.C. 20510-6175

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FOR IMMEDIATE RELEASE

January 27, 1997

CONTACT: Naomi Seligman (202) 224-4376

Baucus Leads Effort to Increase Transportation Funding

(WASHINGTON, D.C.) - U.S. Senator Max Baucus (D-Mont.) today released a letter to the Senate Budget Committee calling for an increase in funding for transportation in the FY 1998 Budget Resolution. The letter, signed by Baucus and 56 other Senate colleagues, calls upon Senate Budget Committee Chairman Pete Domenici (R-NM) to fund transportation programs from the Highway Account of the Highway Trust Fund at \$26 billion into the next century.

"This letter sends a strong signal to the Senate Budget Committee that highway programs are essential in our federal budget," Baucus said. "Highways are the economic lifeline to many areas of the country, especially Montana where transportation plays such an important role in everyday life."

"Higher funding levels will mean more money for Montana's roads and bridges. They will make travel easier and safer for families on vacation, and help businesses and agricultural producers get their products to market more effectively. These are funds that we rely upon to meet the needs of every Montana community," Baucus said.

The Department of Transportation has estimated that the Highway Account of the Highway Trust Fund could sustain annual funding levels of \$26 billion into the next century. This funding level would allow States to spend all incoming revenue into the Trust Fund, along with interest and unobligated balances.

"By increasing funding for transportation in the Budget Resolution, Congress will be able to maintain our tremendous highway network and increase our efficiency in today's global economy. This letter is an example of the bipartisanship that can and will be accomplished in this Congress," Baucus said.

JAN-24-1997 18:22 FROM

TO

P.02

United States Senate

WASHINGTON, D.C. 20510

January 14, 1997

The Honorable Pete Domenici
Chairman
U.S. Senate Budget Committee
Washington, D.C. 20510

Dear Mr. Chairman:

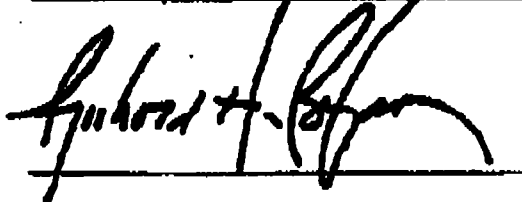
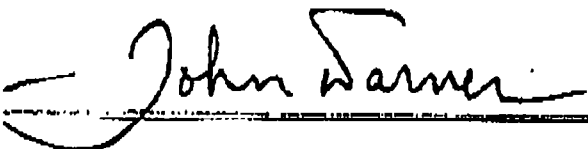
As the Senate Budget Committee begins to prepare the FY 1998 Budget Resolution, we are writing to express our support for an increase in funding for transportation programs. With the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA) this year, funding levels in the Budget Resolution will provide the framework necessary to rewrite the legislation.

Investments in transportation and infrastructure increase our mobility and allow us to move goods and people safely and efficiently. And just as important, a significant investment in transportation and infrastructure will create thousands of jobs and contribute to the economic well-being of this country.

The Department of Transportation estimates that the Highway Account of the Highway Trust Fund, taking into account all incoming revenue and interest collected, could sustain an annual funding level of \$26 billion into the next century. We ask that the FY 1998 Budget Resolution reflect this level.

As this nation prepares to enter the 21st century, a strong commitment to transportation will ensure our ability to compete in today's global economy. The Budget Resolution is the first step in making such a commitment.

Sincerely,



JAN-24-1997 18:23 FROM

TO

P.03

The Honorable Pete Domenici
January 14, 1997

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The Honorable Pete Domenici
January 14, 1997

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P.05

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(NEWY PENDING)

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JAN-24-1997 18:24 FROM

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P.06

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January 14, 1997

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United States Senate

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Comments:

United States Senate

WASHINGTON, D.C. 20510

February 15, 1996

The Honorable Federico Peña
Secretary of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Secretary Peña:

We wish to express concern that the NAFTA harmonization process could be used as a lever to increase the maximum truck size and weight limits in this country.

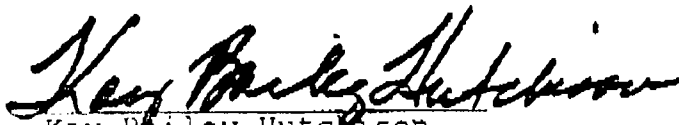
As NAFTA harmonization talks relating to truck safety standards progress, we would like to remind you of the Senate Resolution, passed the same day in 1993 as NAFTA, in which the Senate instructed the Department of Transportation to "uphold all United States truck safety standards, including truck sizes and weights" during the truck harmonization negotiations with Mexico and Canada.

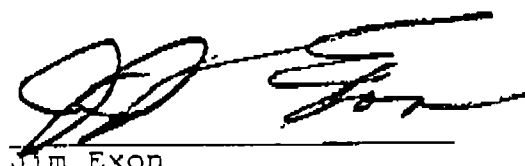
It has come to our attention that both Canada and Mexico are advocating expanded use of larger trucks in the harmonization talks. In particular, any proposals to use high priority corridors, which will carry the bulk of NAFTA trade truck traffic, as an opportunity for the expanded use of larger trucks would raise our concern.

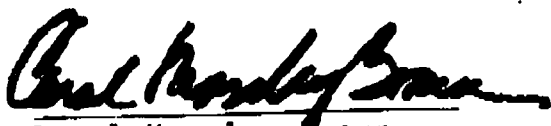
We understand that the basis of the U.S. negotiating position in these talks will be in large part determined by a truck size and weight study currently undertaken by the Federal Highway Administration. The FHWA study should not be used as a means to facilitate the expanded use of longer and heavier trucks on our highways.

We are committed to the safety of our highways and preventing further deterioration of our infrastructure. Therefore, we urge you to ensure that U.S. NAFTA negotiators do not compromise on U.S. truck size and weight standards.

Sincerely,

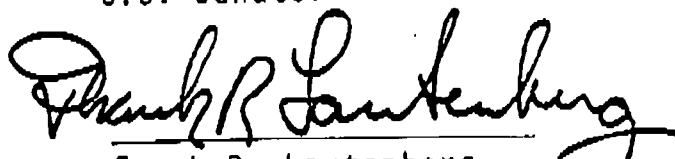

Kay Bailey Hutchison
U.S. Senator


Jim Exon
U.S. Senator

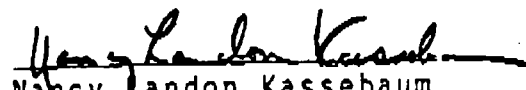

Carol Moseley-Braun
U.S. Senator

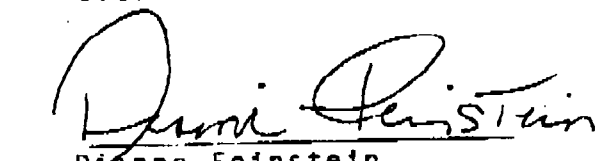

Jesse Helms
U.S. Senator

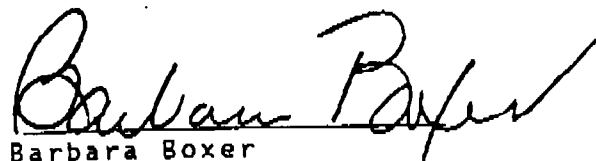

John D. Rockefeller
U.S. Senator

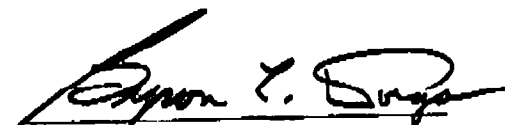

Frank R. Lautenberg
U.S. Senator


Carl Levin
U.S. Senator

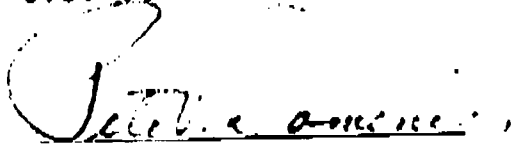

Nancy Landon Kassebaum
U.S. Senator

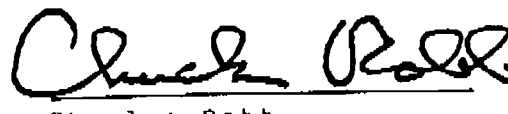

Dianne Feinstein
U.S. Senator

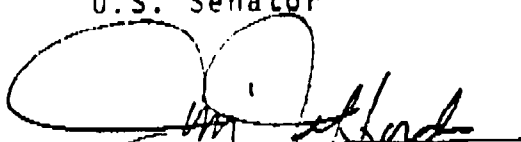

Barbara Boxer
U.S. Senator

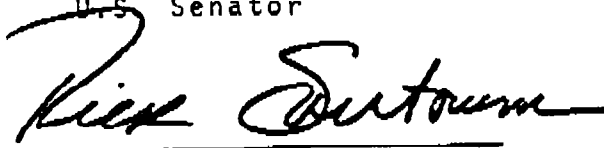

Byron Dorgan
U.S. Senator

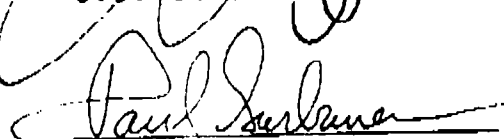

Joseph Lieberman
U.S. Senator


Pete Domenici
U.S. Senator


Charles Robb
U.S. Senator


James Jeffords
U.S. Senator


Rick Santorum
U.S. Senator


Paul Sarbanes
U.S. Senator


John Breaux
U.S. Senator


Bob Smith
U.S. Senator

DOT SAFETY TITLE: OUTSTANDING ISSUES

Primary Seat Belt Laws

The NEXTEA proposal rolled out on March 12 included a new six-year, \$125 million incentive program to encourage states to adopt and enforce aggressive laws and programs aimed at increasing seat belt and child restraint use. Primary seat belt laws -- i.e., a law permitting enforcement authorities to stop motorists and issue summonses solely for seat belt violations, and not just in the context of a stop for another traffic violation -- figure in one of the two options to qualify for the "basic grant" under this program. As proposed in NEXTEA, a state may qualify for funds by either satisfying four out of five specified primary seat belt requirements, including having a primary belt law, or it may demonstrate that its belt use is at least 80 percent, and increasing.

Experience with such primary belt laws -- which have been enacted by 11 states and the District of Columbia, together covering about one-third of U.S. population -- indicates that they work to increase belt use significantly. In primary law states, the level of belt use is 15 percent higher, on average, than in secondary law states. Moreover, much of the differential is due to increases achieved in the first year after enactment. NHTSA estimates that enactment of a primary seat belt law by all remaining states would save at least 1,800 lives nationwide in the first year.

As part of the follow-on "safety title" to NEXTEA -- which will include regulatory, rather than funding elements -- the Department is now inclined to propose a "soft sanction" that would go beyond the incentive program. The proposal under consideration calls for requiring states to adopt primary seat belt laws by the end of the fifth year of reauthorization (i.e., by September 30, 2002) or have one-and-one-half percent of their highway construction funds (three percent in subsequent years) mandatorily shifted to seat belt education and enforcement programs. These shifted funds would be in addition to funds made available for safety enforcement and education through NHTSA grant programs and the flexible infrastructure safety category proposed in NEXTEA.

.08 Blood Alcohol Content Laws

Also under consideration is a proposal to apply a similar "soft sanction" to states that do not by the end of FY 2002 adopt a law setting .08 Blood Alcohol Content as the standard for impairment. Notwithstanding great progress in reducing drunk driving, over 40 percent of fatal crashes are alcohol-related. Safety activists argue -- and NHTSA agrees -- that at .08 BAC virtually all drivers are substantially impaired in critical tasks such as braking, steering and judgment. One study found that the risk of a crash is 11 times higher at .08 BAC than when sober. Notwithstanding some public misunderstanding, .08 BAC does not impact the responsible social drinker. To reach .08, a 170 lb. male needs to drink 4 drinks in 1 hour on an empty stomach. A 120 lb. female needs 3 drinks in 1 hour on an empty stomach.

Fourteen states currently have a .08 BAC limit. (Idaho, the most recent, passed .08 just last week.) Recent studies have shown that fatalities have declined anywhere from 7 to 16 percent when states lowered their BAC limits from .10 to .08. However, the studies are too few in number and not consistent enough to give a precise estimate of the reductions that have occurred, or would occur if additional states adopted .08 laws.

DOT is already on record supporting .08 BAC laws. In fact, adoption of both a .08 BAC law and an administrative license revocation law is one of the three options to qualify for funds under the proposed program alcohol incentive program included in NEXTEA. NEXTEA proposes to authorize that program at about \$40 million a year.

While the NEXTEA incentive programs will provide some encouragement to states to enact primary seat belt and .08 BAC laws, they will not have the effect, albeit coercive, of a sanction program. Sanction programs -- including programs by which states forfeit a portion of their construction funds -- have in the past been used successfully to get states to enact 55 mph speed limits, age 21 drinking laws, secondary seat belt laws, and zero tolerance laws.

Strategic Considerations

Sanction strategies are generally disfavored by state governments, highway construction interests, and states rights activists as an imposition on states rights and a diversion of needed construction funds. Activists, in turn, often favor such programs because of their strong motivational effect on states. The 1995 NHS bill repealed a range of sanctions -- including national speed limits and motorcycle helmets provisions -- long unpopular with states and various interest groups.

Of the two proposals, the seat belt sanction is likely to be the less controversial and more likely to succeed. The issue of seat belt use has received enormous recent coverage given its close nexus with the airbag debate. Somewhere between 50 and 70 percent of the motoring public is already using seat belts. Virtually all those involved in the coalition of groups working on getting airbag safety messages out to the public -- including the auto manufacturers, insurance companies, seat belt and air bag suppliers, safety and health care organizations -- have made increased seat belt use, and primary laws in particular, a top agenda item. The President has asked DOT to submit a report recommending strategies to increase seat belt use. And NTSB has recently made seat belt usage a major priority.

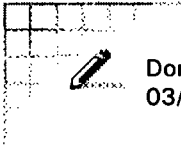
A seat belt sanction proposal will galvanize the support of these various groups during a time when the public is paying particular attention to the issue of seat belt use. Also, Congress is increasingly aware of the issue, particularly as hearings on the air bag issue take place.

The proposal will draw opposition from the governors' highway safety offices (NAGHSR), the National Motorists Association (the strongest supporters of repealing the speed limit law), individual liberties groups, and the same conservative and western members of Congress who allied to repeal sanctions in the NHS Act. NHTSA does not expect opposition from civil rights or minority organizations. Overall, given the national focus on the issue and the broad support it will receive from the manufacturing, insurance, safety and health care industries,

the measure has a significant chance of passing. DOT leadership is currently inclined to include a "soft sanction" that would only "bite" in the final year of NEXTEA.

The battle over .08 will be more difficult. A .08 sanctions proposal will be broadly supported by Mothers Against Drunk Driving (MADD), other safety organizations, health care and insurance industries, and probably by the auto industry also. Congresswoman Lowey and Senator Lautenberg have already introduced legislation requiring states to adopt .08 laws. However, a sanction approach to .08 BAC will be vigorously opposed by the beverage, restaurant and hotel industries. These interests are likely to mount an aggressive, well funded campaign seeking to portray the proposal as scientifically unsupported and a threat to casual drinkers. While these arguments can all be rebutted, public opinion is difficult to predict. Given that the BAC standard has received much less recent publicity than the belt issue and that the effectiveness studies on .08 are less than definitive, a .08 sanction will likely be tougher to win than a seat belt sanction.

An additional consideration is possible impacts on the Administration's other ISTEA reauthorization priorities. Led by Senator Chafee, the coalition of pro-ISTEA transportation progressives that supports the Administration's bill would likely welcome a proposal that included sanction provisions. At the same time, there is some possibility that sanctions proposals would undermine the relatively positive reception given the Administration's NEXTEA proposal by certain Republican transportation leaders (e.g., Chairman Shuster) and state transportation officials. Possible "spill-over" is not of itself an argument against sanction proposals, but it may weigh against proposing multiple sanction initiatives, on top of the truck size restrictions DOT intends to propose.



Dorothy Robyn
03/17/97 05:57:29 PM

Record Type: Record

To: Rahm I. Emanuel/WHO/EOP, Sally Katzen/OMB/EOP, Ron Klain/OVP @ OVP, Douglas B. Sosnik/WHO/EOP

cc: Gene B. Sperling/OPD/EOP

Subject: Truck and Auto Safety Issues in ISTEA II

DOT is about to finish drafting a safety bill that will become part of our ISTEA reauthorization, known as NEXTEA. Before sending it to OMB for clearance, they would like guidance on two potentially sensitive issues: 1) whether to expand the current freeze on truck size and weight from interstates to all national highways; and 2) whether to impose "soft sanctions" on states that do not by 2002 have certain laws in place (primary seat belt law; .08 BAC and helmets); the sanction would involve moving 1% of a state's highway construction money into safety enforcement. See attached material.

DOT is leaning toward an expansion of the freeze on size only (this is the "Oberstar minus weight" option), pending the results of an ongoing study dealing with weight. On sanctions, they are leaning toward imposing them w/ respect to primary seat belt laws but NOT .08 BAC or helmets. On .08 BAC, there is a concern that the opposition by Joe Sixpack could pull the entire bill down. On helmets, we lost that fight in 1995, and none of the states with helmet laws have repealed them.

Could you let me know sometime tomorrow if you have a view on this? My phone is 6-5365.
Thanks very much.

Devoting Kobryn
456 2223

Legislative Options for Truck Size and Weights

Background

Current Federal Requirements

On the Interstate System (44k mi.):

20,000 lbs. single axles

34,000 lbs. tandem axles

Bridge Formula B for axle spacings, with 80,000 lbs cap

On the Interstate System and National Truck Network (200k mi.):

102 inch width

48' minimum semitrailer length

28' minimum trailer length for doubles

Oberstar Proposal (would apply to the National Highway System)

Semi-Trailer Lengths - limit to 53', eventually phase out longer trailers (57', 59', etc)

now grandfathered in 10 States (i.e., longer trailers manufactured after a fixed date not allowed to operate).

Terminate Grandfather Rights On Interstate - Applies to truck axle and gross weights exceeding Federal Statutes.

Nondivisible Load Proceeding - Secretary would have to define, by commodity, whether a load is divisible or not.

Weight Limitations - Freeze current state weight limits on the non-Interstate NHS (including all the currently grandfathered higher weights).

Possible Departmental Responses/Positions

1. Take no action now

Pros

- Secretary initiated TS&W Study - supports previous stance that it needs to be completed before acting.
- Fulfills commitment made to State partners to work openly and collaboratively on a rational policy.

- Enables formulation of a rational policy based on integration of TS&W Study results.

Cons

- Creates perception of leaving a gap on safety and infrastructure protection.
- May preclude department from taking a leadership role on this significant issue.

2. Support the Oberstar Bill in total (excluding commodity-specific designation req'ment)

Pros

- Responds to safety and infrastructure protection concerns.
- Because safety of single trailers longer than 53' is slightly worse (poorer off-tracking), precluding their proliferation would have some safety benefit. Small infrastructure protection benefit (ramps, curbs, guardrails; does not affect pavement or bridge wear). Most State transportation departments would likely support this move because of their concern for infrastructure. Technical supporting arguments documentable.
- Ending states' ability to claim grandfather rights on Interstates creates opportunity to aggressively resist "creeping incrementalism" of weight on Interstates while rationalized policy is developed.
- Freezing weights on NHS prevents safety degradation and reduces infrastructure damage. Other options are available, however, for addressing weight-related safety and infrastructure concerns.
- Ensures department will be a player in the debate on this issue.
- Safety community will applaud this move.

Cons

- Precludes formulation of a rational policy based on integration of TS&W Study results and is inconsistent with Secretary's previous reluctance to support measures such as this.
- Oberstar Bill does not address current Bridge Formula B loopholes, which result in increased bridge and pavement damage.

- Violates states' outreach/openness expectations relative to TS&W Study.
- May be difficult to develop supporting analysis for this position.
- Federally intrusive.

3. **Support Oberstar Bill (excluding commodity-specific designation req'ment), but without Weight Restrictions**

Pros

- Sends signal that Department is serious about safety. Makes department a player in debate.
- Because safety of single trailers longer than 53' is slightly worse (poorer off-tracking), precluding their proliferation would have some safety benefit. Small infrastructure protection benefit (ramps, curbs, guardrails; does not affect pavement or bridge wear). Most State transportation departments would likely support this move because of their concern for infrastructure. Technical supporting arguments documentable.
- Ending states' ability to claim grandfather rights on Interstates creates opportunity to aggressively resist "creeping incrementalism" of weight on Interstates while rationalized policy is developed.
- Maintains integrity of commitment to partner with states on the weight issue.
- Preserves opportunity to develop a rationalized weight policy based on TS&W Study results. Implies we have a better method for addressing weight related concerns.

Cons

- Could be perceived to be "weak" on safety and infrastructure protection relative to weight.
- Oberstar Bill does not address current Bridge Formula B loopholes, which result in increased bridge and pavement damage.
- Federally intrusive, but less so than Option 2.
- Safety community less supportive.

Primary Seat Belt Laws

The NEXTEA proposal rolled out on March 12 included a new incentive program to encourage states to adopt and enforce aggressive laws and programs aimed at increasing seat belt use. One of the several alternative ways for a state to qualify for funding under the proposed programs to adopt primary seat belt legislation--i.e., a law permitting enforcement authorities to issue summonses for seat belt violations alone, not just in the context of a stop for another traffic violation. These primary belt laws--which have been enacted by 11 states and the District of Columbia--have been demonstrated to increase seat belt use significantly.

The Department is now considering proposing a "soft sanction" that would go one step further by requiring states to adopt primary seat belt laws by the end of the fifth year of the reauthorization (i.e., by September 30, 2002) or have one percent of their highway construction funds mandatorily shifted to seat belt education and enforcement programs. These shifted funds would be in addition to funds made available for safety enforcement and education through NHTSA grant programs and the flexible infrastructure safety category proposed in NEXTEA.

.08 Blood Alcohol Content

Also under consideration is a proposal to apply a similar "soft sanction" to states that do not by the end of FY 2002 adopt a law setting .08 BAC as the standard for impairment. Currently, only 13 states have .08 BAC laws. In addition, .08 BAC was one of the eligibility options under the restructured alcohol incentive program included in NEXTEA; however, because there were many other ways to qualify, a sanction on .08 BAC could be viewed as inconsistent with our NEXTEA proposal.

Motorcycle Helmet Laws

Also under consideration is a proposal to apply a similar soft sanction to states that do not adopt laws making it unlawful for any person operating a motorcycle to not wear a motorcycle helmet. The sanction would be similar to that described above except that 1 percent of the funds would be shifted to motorcycle safety education. Federal sanctions for failure to adopt a motorcycle helmet law were repealed in the 1995 National Highway System bill. Since then, none of the 25 states that previously had a helmet law has repealed it.



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

March 3, 1997

TO: Barry Anderson
Mark Mazur
Andy Blocker
Dorothy Robyn
Mozelle Thompson
Jane Garvey

FROM: Michael Deich 

Attached is a table comparing the elements of the Alameda project as proposed by the Administration last year, as agreed to this year, and DOT's proposed credit program. It is my hope that within the first two columns are the elements of a workable DOT credit program.

I am providing this matrix to use as a decision making tool to develop a credit program that the Administration can support and include in the reauthorization of ISTEA. Please provide to David Worzala (395-3101) of my staff by COB today your comments on which of the Alameda loan provisions could be included into a new DOT credit program. My staff will use your comments to develop a final proposal which we will share with you tomorrow.

cc: R. Lyons
A. Stigile
W. Chang
D. Tangherlini
P. Romani

Comparison of the Alameda Loan and DOT's Credit Proposal

Loan Provision	Original Alameda	Alameda as Signed	Proposed Program
Term	30 years from Substantial Completion (est. 33 yrs)	30 years from Substantial Completion (est 33 yrs)	30 years from Substantial Completion
Rate	10 year Treasury Rate through construction. 30 year Treasury Rate thereafter (means there is an interest subsidy)	10 year Treasury Rate through construction. 30 year Treasury Rate thereafter (means there is an interest subsidy)	30 year Treasury Rate over the life of the Loan (no interest rate subsidy)
Amount	\$400 million. Loan equals 20% of Project costs. (but Federal participation equals 38% including Federal grants)	\$400 million. Loan equals 20% of Project costs. (but Federal participation equals 38% including Federal grants)	Loans may not exceed 33% of Project costs.
Repayment Schedule	Repayments must begin 7 years after a draw on the loan takes place. This period allowed for construction and operating phase in. Repayment schedule tailored to project cash flows with guarantee for Federal government of a percent of cash flows if fell off the repayment curve. i.e. our percent of revenues increases as time goes on or project falls behind	First repayment starts year after substantial completion. Tailored to project cash flows. New agreement relies on attaching off-project revenues of the Ports to repayment.	Payments must start within 5 years after substantial completion. Tailored to project cash flows.

Claim on net Revenues	guarantee of participatory interest in project revenues. - 10% after 5 years - 20 % after 10 years - 30 % after 20 years Repayments and deferrals have priority to any rebates, credit accruals, surplus funds, or equity returns to Ports.	Repayment subordinate to prior liens for Project Revenue bond debt service and deposits to maintenance fund.	Payments may be deferred by the Secretary during the first 10 years if insufficient revenues. Deferrals accrue interest. On parity with Project Revenue Bonds after 10 years and in event of default. If sufficient revenue is generated then on parity.
Deferral of Debt service in event of Rate covenant generates insufficient revenue.	Limited # of deferrals allowed, however not included in subsidy estimate.	Permitted over the life of bonds. Deferrals accrue interest at loan rate.	Permitted during the first 10 years only. Deferrals accrue interest at loan rate.
Repayment Sources	User charges (container fees) plus other dedicated revenues (Port contributions)	User charges (container fees) plus other dedicated revenues (Port contributions)	User charges plus other dedicated funding sources (specifically excludes federal-aid).
Borrower Covenants	None specifically identified.	ACTA is assigned the rights of Ports of LA/LB under MOU with Railroads to increase container fees up to 3% per year if needed to pay debt service.	To be determined on a case by case basis. Provision for covenants is explicitly provided in legislation.
Fees	none	none	Secretary may establish fees.
Tax status of Debt	Assumed taxable, although Administration was aware ACTA was pursuing tax-exempt financing.	To be determined. A portion of the project costs may be financeable under current law as Governmental Purpose Bonds. ACTA is seeking tax code change for remaining costs.	Legislation silent. Assumes it depends on tax status of project. Some projects will be able to issue all or a portion of their bonds as tax-exempt under General Purpose Bonds under current law.



DEPARTMENT OF THE TREASURY
WASHINGTON

1500 Pennsylvania Avenue, N.W.

DOMESTIC FINANCE

FACSIMILE COVER SHEET

DATE Mar. 7

NUMBER OF PAGES TO FOLLOW: 1

TO: Andy Blocker

ADDRESSEE'S FAX NUMBER: 456-2604

FROM: Mozelle W. Thompson

SENDER'S FAX NUMBERS: (202) 622-0265

SENDER'S CONFIRMATION NUMBER: (202) 622-2032

COMMENTS/SPECIAL INSTRUCTIONS: _____

UNCLASSIFIED

Clinton ISTEA Ideas Don't Thrill Panel

By Heather J. Eurich

Members of a Senate panel yesterday were both critical and skeptical of the Clinton administration's plans to expand the use of innovative financing as part of its proposal to renew the **Intermodal Surface Transportation Efficiency Act** this year.

Innovative federal finance programs have not shown much progress since their inception nearly six years ago under ISTEA, the program that sets federal funding levels for highways, bridges, transit, and airport projects, members of the Senate Committee on Environment and Public Works subcommittee on transportation and infrastructure told Department of Transportation officials.

"I'm a bit disappointed," said Sen. **John H. Chafee**, R-R.I., chairman of the full committee. "From what I see, nothing much has changed in the way highways have been constructed."

Senators questioned why state infrastructure banks, which were created last spring in a 10-state pilot program, have not begun to offer loans or issue tax-exempt bonds for projects.

The infrastructure bank in **Ohio**, which has loaned \$20 million to support a \$100 million bond issue for a toll road project in **Butler County**, is the only one of the 10 in the pilot program to start a project.

But **Mortimer L. Downey**, deputy secretary of transportation, said the banks need time to mature before they can fulfill their purpose.

"We believe the progress on the SIBs has been faster than expected," Downey said.

The other states need more time to establish their banks because they have to reprogram federal highway aid funds and, in some cases,

obtain legislative authority to issue loans and bonds, Downey said. The state infrastructure banks received a federal appropriation of \$150 million for the current fiscal year, but states are also expected to capitalize the banks with some of their federal highway grants and state matching funds. Several of the states have not yet been able to shift federal grants away from traditional programs to the new bank programs.

But a few infrastructure banks are close to launching projects, according to DOT. The bank in **Missouri** intends to provide

loans to the **Missouri Springfield Transportation Corp.**, to speed up a \$33 million road construction project and reduce interest costs. The infrastructure bank in **Florida** plans to provide an interest-free loan to finance construction of a toll road interchange in **Palm Beach County**.

Despite the slow start of state infrastructure banks, 26 more states have applied to enter the program and begin their own banks, Downey said.

The administration next week may unveil a list of new states that will be allowed to participate in the program. Those states may be included in the formal plan to renew ISTEA for six more years that the administration is expected to send Congress next week, according to an administration official who did not attend the hearing.

The administration's newest finance proposal — to create federal lines of credit — also was met with skepticism by the senators. The lines of credit would be used to back loans and bonds to lower interest costs, but would only be drawn upon if revenue-generating projects like toll roads did not become self-sufficient.

But Sen. **Max Baucus**, the ranking member of the full committee, was not convinced DOT needs the \$100 million it is requesting to establish the program. The state infrastructure banks could issue the lines of credit or communities could issue bonds to finance those projects, he said. Federal lines of credit should not be used to support projects thought too risky for other sources of financing, he said.



Mortimer Downey

NATIONAL JOURNAL'S CongressDaily/A.M.

WEDNESDAY, MARCH 5, 1997

GOP Sees Some Chance For Reversal After BBA Defeat

In a decision choreographed last week, the Senate Tuesday night narrowly defeated the constitutional amendment to balance the federal budget, although GOP leaders left open the possibility the Senate could vote again if the House approves the proposal. Repeating the vote that was cast during the first session of the 104th Congress, Tuesday's Senate tally was 66-34, one short of the two-thirds majority needed to pass a constitutional amendment. **Senate Majority Leader Lott** said he believes the House will approve the BBA. But House Republicans, fearing defeat in their chamber, had wanted the Senate to vote first and pass the measure to provide momentum.

Senate Republicans also left open the possibility of accepting changes the House may make in the BBA. "We'll be happy to look at whatever brings about that bipartisan coalition," **Senate Judiciary Chairman Hatch** said. However, some

House Republicans are pushing a plan that would take the Social Security trust fund off-budget as part of the BBA — a plan that Senate Republicans vehemently oppose.

Following the Senate showdown, **Senate Judiciary ranking member Patrick Leahy**, D-Vt., contended, "I think we struck a blow against bumper-sticker politics today." He called the proposal a "cockamamie way of amending the Constitution." Earlier, he said the measure is "beneath the United States Senate. It is beneath the House of Representatives." For his part, President Clinton in a statement said, "I am pleased that the Senate has heeded the warnings of eminent economists and constitutional experts from across the political spectrum, and defeated the balanced budget constitutional amendment." He suggested the measure "could have caused or worsened recessions, permitted a minority of legislators to hold the nation's creditworthiness hostage, involved unelected judges

Continued on Page 4

SCHEDULE

SENATE

Convenes at noon. After 11 p.m., the Senate is scheduled to consider S.J. Res. 5, the waiver necessary for the nomination of **Charlene Barshefsky** to be U.S. trade representative.

HOUSE

Convenes at 11 a.m. to consider under suspension of the rules: H.Con. Res. 17, Congratulating Guatemala On The Success Of The Recent Negotiations To Establish A Peace Process; H.Con. Res. 18, Congratulating Nicaragua On The Success Of Their Democratic Elections; and S.Con. Res. 4, Commending And Thanking **Warren Christopher** For His Exemplary Service As Secretary Of State. The House also is scheduled to vote on a suspension bill held over from Tuesday: H.Con. Res. 21, Regarding Public Display Of The 10 Commandments.

Continued on Page 7

Line Item Veto May Vex ISTE A Bill

A significant debate is brewing in Congress and within the Clinton administration about whether the president can use the new line item veto law to cancel contract authority contained in this year's reauthorization of the Intermodal Surface Transportation Efficiency Act, aides and outside observers said Tuesday. Administration officials refused to address the question, while most congressional aides said they still are trying to determine the law's impact. The confusion could set up a constitutional showdown if the president were to veto contract authority for projects included in the ISTE A bill. "It's a murky, murky issue," House Rules Committee aide **Eric Pelletier** said. "I wish we could go back to conference and clear it up a bit." Added a Congressional Research Service official, "We've been looking into it, but we don't have a final answer."

The line item veto — which took effect this year but faces court challenge — allows the president to cancel discretionary spending items, new direct spending or any limited tax benefit affecting fewer than 100 taxpayers. The law says the president must determine that such action would reduce the deficit. But contract authority, which is used for long-term building projects, obligates the government to pay, for example, \$25 million over five years to build a highway. That contract authority gives state governments permission to start those projects, and commits Congress to pay installments over the five years of the project. However, each annual payment must be appropriated by Congress. While a president can clearly use his line item veto

Continued on Page 5

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National
Journal

ISTEA

Continued from Page 1

power to eliminate those yearly appropriations items, aides said it is unclear whether a president can veto the broader contract authority granted in a bill like ISTEA.

Those arguing the line item veto cannot cancel contract authority point to the deficit test. Most contract authority for large projects in ISTEA is paid out of money from the highway and mass transit trust funds. Because eliminating such items would return the money to the trust funds, the line item veto may not apply to contract authority.

"Canceling contract authority does not reduce the deficit," one aide said.

Other confusion centers around whether contract authority is considered mandatory spending, for which the line item veto rules apply differently than for discretionary spending. The line item veto can be used only to eliminate mandatory spending above the current baseline for that program, which could shield most ISTEA programs from the veto threat.

During 1995 House debate, former Rep. Bill Orton, D-Utah, offered an amendment specifically to apply the line item veto to contract authority, saying the bill was not clear on that point. House Transportation and Infrastructure Chairman Shuster led the opposition to Orton's amendment, which was defeated.

Sources suggested that debate and vote against the amendment could be considered by the courts as congressional intent that contract authority is not covered by the law.

But Shuster's spokesman was the only one of more than 10 House and Senate aides interviewed who had a clear reading of the line item veto: Shuster's staff believes the president can veto contract authority, even though Shuster opposed specifying the president can.

The actual effects of the "murky" law will not be known until the president begins to use the line item veto — and how aggressively he uses it.

OMB officials refuse to talk about whether the line item veto will apply to contract authority, not wanting to dis-

close how it will be used, but also because of the pending lawsuit by members of Congress questioning the constitutionality of the line item veto.

A Transportation Department legal counsel said OMB still is determining the contract authority question.

"We've received instructions not to speculate on it," the official said.

One congressional aide said: "I expect the administration to use the line item veto to its fullest extent. If there's a gray area, they'll make it black or white."

— By Matthew Morrissey

New ISTEA Formula Fix Unveiled

Southern House members this week introduced legislation to return to each state 100 percent of the money it pays in federal gasoline taxes to the highway trust funds.

Rep. Mark Sanford, R-S.C., introduced the bill as an alternative to the "STEP-21" and "turnback" proposals advocated by other Southerners to get more money for their states in the Intermodal Surface Transportation Efficiency Act reauthorization.

Most Southern and Midwestern states pay more in federal gas taxes than they receive back in federal transportation funds because of ISTEA's allocation formula.

The turnback proposal by Sen. Connie Mack, R-Fla., and House Budget Chairman Kasich would phase out most of the federal gas tax, forcing states to fund their own transportation projects. The STEP-21 plan by House Majority Whip DeLay and Sen. Bob Gra-

ham, D-Fla., would keep the federal role, but give Southern states more money from the formulas, guaranteeing a 95 percent return on a state's contribution to the trust funds.

Both plans also eliminate most of ISTEA's environmental and congestion mitigation programs. An aide said Sanford and his bill's 41 co-sponsors worry the debate over restructuring ISTEA's programs may derail their chances of changing the allocation formulas, which is more important to them.

Sanford's bill, introduced with Reps. Bob Clement, D-Tenn., and Steve Largent, R-Okla., would — unlike the turnback and STEP-21 proposals — retain all of ISTEA's current programs, but change the state allocation formulas.

Because each state would be guaranteed the same amount of federal transportation funding as taxes its residents pay each year, there would be no so-called donor or donee states under Sanford's plan, an aide said.

Task Force Mulls Cross-Selection Of Ethics Panelists

The House ethics reform task force Tuesday considered proposals that include having each party pick the other's Ethics Committee members, the Associated Press reported.

"It may be radical, but it's certainly worth looking at," said House Appropriations Chairman Livingston, who is co-chairman of the

task force with Rep. Benjamin Cardin, D-Md.

The American Enterprise Institute's Norman Ornstein came up with the idea of letting each party pick the other party's Ethics Committee members. He also proposed peremptory challenges.

"That's where one side says, 'OK, you've named 10 people. We don't want the top four, let the other six serve on

the committee,'" Livingston said. "That's constructive. Those are things we would consider."

To eliminate some frivolous complaints, the committee also is considering returning to the pre-1989 practice of letting the panel's chairman and ranking member decide which complaints are substantive. The task force also has set hearings for today and Thursday.

March 6, 1997

DRAFT

MEMORANDUM FOR JOHN HILLEY

From: Andy Blocker
Dan Tate

Re: ISTEА Credit Proposals

This memo concerns the flexible payment loans proposed by the Department of Transportation (DOT) for its ISTEА legislation. DOT has proposed \$100 million a year over the life of ISTEА (6 years) for a federal flexible payment loan program. The program is modeled after the Alameda Corridor loan and would allow DOT to loan federal dollars—in partnership with local governments and the private sector—for nationally significant projects without passing separate legislation for each project. (See attached memo for side-by-side of Alameda project and proposed program.)

One of the key aspects of the proposed loan program is the power of the Secretary of Transportation to defer payments to the federal government for 10 years. This federal deferral makes the loans much more attractive to private investment. Current loan programs at DOT have not attracted private investment because they do not offer this deferral.

The Department of Treasury (Treasury) has objected to this deferral on the grounds that it makes the federal government subordinate to other creditors. Under OMB Circular A-129, the federal government should never be “subordinate” to other creditors.

However, it is not clear that deferring loan payments to the federal government makes the federal government subordinate to other creditors. The fact that the Alameda Corridor loan deferred loan payments to the federal government for 7 years did not make the federal government subordinate.

Also, in the DOT proposal, it would be made clear that the federal government had parity with all other creditors and that the federal government would be entitled to all interest accrued during the first 10 years.

Treasury has also objected to the fact that tax-exempt bonds would be allowed to be mixed with such a deferral. They argue that this is unprecedented and would be inappropriate.

This is not unprecedented because the Alameda Corridor loan currently has both a 7 year deferral and tax-exempt bonds (tax-exempt bonds are expected to account for half of the non-federal government contribution).

Also, in light of the limited funding in the ISTEА bill, this credit program would multiply federal dollars and help mask the lack of funding.



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

March 3, 1997

TO: Barry Anderson
Mark Mazur
Andy Blocker
Dorothy Robyn
Mozelle Thompson
Jane Garvey

FROM: Michael Deich 

Attached is a table comparing the elements of the Alameda project as proposed by the Administration last year, as agreed to this year, and DOT's proposed credit program. It is my hope that within the first two columns are the elements of a workable DOT credit program.

I am providing this matrix to use as a decision making tool to develop a credit program that the Administration can support and include in the reauthorization of ISTEA. Please provide to David Worzala (395-3101) of my staff by COB today your comments on which of the Alameda loan provisions could be included into a new DOT credit program. My staff will use your comments to develop a final proposal which we will share with you tomorrow.

cc: R. Lyons
A. Stigile
W. Chang
D. Tangherlini
P. Romani

Comparison of the Alameda Loan and DOT's Credit Proposal

Loan Provision	Original Alameda	Alameda as Signed	Proposed Program
Term	30 years from Substantial Completion (est. 33 yrs)	30 years from Substantial Completion (est. 33 yrs)	30 years from Substantial Completion
Rate	10 year Treasury Rate through construction. 30 year Treasury Rate thereafter (means there is an interest subsidy)	10 year Treasury Rate through construction. 30 year Treasury Rate thereafter (means there is an interest subsidy)	30 year Treasury Rate over the life of the Loan (no interest rate subsidy)
Amount	\$400 million. Loan equals 20% of Project costs. (but Federal participation equals 38% including Federal grants)	\$400 million. Loan equals 20% of Project costs. (but Federal participation equals 38% including Federal grants)	Loans may not exceed 33% of Project costs.
Repayment Schedule	Repayments must begin 7 years after a draw on the loan takes place. This period allowed for construction and operating phase in. Repayment schedule tailored to project cash flows with guarantee for Federal government of a percent of cash flows if fell off the repayment curve. i.e. our percent of revenues increases as time goes on or project falls behind	First repayment starts year after substantial completion. Tailored to project cash flows. New agreement relies on attaching off-project revenues of the Ports to repayment.	Payments must start within 5 years after substantial completion. Tailored to project cash flows.

Claim on net Revenues	guarantee of participatory interest in project revenues. - 10% after 5 years - 20 % after 10 years - 30 % after 20 years Repayments and deferrals have priority to any rebates, credit accruals, surplus funds, or equity returns to Ports.	Repayment subordinate to prior liens for Project Revenue bond debt service and deposits to maintenance fund.	Payments may be deferred by the Secretary during the first 10 years if insufficient revenues. Deferrals accrue interest. On parity with Project Revenue Bonds after 10 years and in event of default. If sufficient revenue is generated then on parity.
Deferral of Debt service in event of Rate covenant generates insufficient revenue.	Limited # of deferrals allowed, however not included in subsidy estimate.	Permitted over the life of bonds. Deferrals accrue interest at loan rate.	Permitted during the first 10 years only. Deferrals accrue interest at loan rate.
Repayment Sources	User charges (container fees) plus other dedicated revenues (Port contributions)	User charges (container fees) plus other dedicated revenues (Port contributions)	User charges plus other dedicated funding sources (specifically excludes federal-aid).
Borrower Covenants	None specifically identified.	ACTA is assigned the rights of Ports of LA/LB under MOU with Railroads to increase container fees up to 3% per year if needed to pay debt service.	To be determined on a case by case basis. Provision for covenants is explicitly provided in legislation.
Fees	none	none	Secretary may establish fees.
Tax status of Debt	Assumed taxable, although Administration was aware ACTA was pursuing tax-exempt financing.	To be determined. A portion of the project costs may be financeable under current law as Governmental Purpose Bonds. ACTA is seeking tax code change for remaining costs.	Legislation silent. Assumes it depends on tax status of project. Some projects will be able to issue all or a portion of their bonds as tax-exempt under General Purpose Bonds under current law.

AGENDA
ISTEA Reauthorization: Strategy and Process
OEOB Room 231
March 10, 1997
11:30 a.m.

- I. Introduction (Gene Sperling)
- II. Administration Priorities in ISTEA II (Mort Downey)
- III. Legislative Strategy and Timetable (John Hilley and Steve Palmer)
- IV. Outreach to Constituent Groups (Mort Downey, Katie McGinty, Cynthia Metzler, Marcia Hale)
 - A. Environment/Sustainable transportation
 - B. Welfare-to-work
 - C. Governors/Mayors
 - C. Urban interests
 - D. Labor
 - E. Business
- V. Opportunities for Presidential/White House Involvement (Sperling and Downey)
- VI. Roll-out of Administration Bill (Sperling)

Responses to Questions Raised at March 7, 1997 Meeting on Federal Credit

March 10, 1997

1. Are there other precedents of a single borrower receiving both Federal Credit and Tax-Exempt Bond Proceeds?

There is ample precedent for projects drawing upon Federal assistance in conjunction with tax-exempt debt. The Federal participation takes a variety of forms:

- Federal Equity with tax-exempt debt funding the non-Federal match;
- Federal Equity credit-enhancing tax-exempt debt;
- Federal Guarantees securing underlying loans backing tax-exempt debt;
- Partial Federal subsidization of tax-exempt debt service;
- Partial Federal credit enhancement of tax-exempt debt service; and
- Side-by-side Federal Credit and tax-exempt debt.

Brief summaries follow below:

a. *Federal Equity with tax-exempt debt funding the Federal match.* The state/local match for assistance under the Federal-aid highway program and Federal Transit Administration capital grants is routinely met through the issuance of tax-exempt debt. Estimated volume is four to five billion dollars per year.

b. *Federal Equity credit-enhancing tax-exempt debt.* The Wastewater and Drinking Water State Revolving Funds (SRF) involve capitalization grants which credit enhance obligations which may be tax-exempt, and where the non-Federal match frequently is funded with tax-exempt debt. State Infrastructure Banks are funded with 80% Federal funds, and may be used to guarantee tax-exempt obligations. The College Construction Loan Insurance Association (Connie Lee), which was capitalized in part with Federal appropriations, provides financial guarantees on college revenue bonds, many of which are tax-exempt.

c. *Federal Guarantees securing underlying loans backing tax-exempt debt.* Section 149(b) of the Internal Revenue code expressly states that tax-exempt proceeds in combination with loans insured or guaranteed by the following Federal agencies will not constitute a "Federal guarantee" which would undermine the tax status of the bonds:

- Federal National Mortgage Association
- Student Loan Marketing Association
- Federal Housing Administration
- Veterans Administration
- Federal Home Loan Mortgage Corporation
- Government National Mortgage Association

d. *Partial Federal Payment of tax-exempt debt service.* This would include the Administration's proposal for the School Construction loan program, where the Treasury will use \$ 5 billion to "buy down" the interest rate on tax-exempt bonds issued to finance schools, effectively providing a partial guarantee of debt service.

e. *Partial Federal credit enhancement of tax-exempt debt service.* The Transportation Corridor Agencies (TCA) obtained legislation in both FY 1995 (for Foothills-Eastern toll road) and in FY 1996 (for San Joaquin Hills toll road, amending earlier legislation) enabling TCA to secure in excess of \$ 2.6 billion of tax-exempt project debt with Federal standby lines of credit. Repayments of draws have a claim on project revenues that is *junior* to that of TCA's bondholders. (Even with the two \$ 120 million lines of credit, both projects are still rated only BBB, reflecting the limited value of the line.)

f. *Side-by-side Federal Credit and tax-exempt debt.* Several examples are listed below:

- *WMATA.* The Administration approved Washington Metropolitan Area Transit Authority's refinancing of a third of its \$ 1 billion taxable Federally-guaranteed bonds with tax-exempt non-guaranteed bonds. This resulted in side-by-side Federal credit and tax-exempt debt.
- *Alameda Corridor.* Alameda anticipates being able to access the tax-exempt market for at least a portion of its capital markets debt financing under current law. Dating back to the initial Alameda term sheet in April, 1996, which was approved by OMB and DOT, there never has been any prohibition concerning how Alameda raises the capital using its project revenue bonds.
- *District of Columbia.* The District of Columbia has issued General Obligation bonds both to the general public on a tax-exempt basis as well as directly to the Federal government.
- *Farmers Home Administration.* FmHA has directly funded Federal loans to water and sewer districts which also have issued tax-exempt debt, including on a junior lien basis. FmHA permits local water districts to repay tax-exempt construction loans with long-term Federal takeout loans under its Water and Waste Disposal program.

2. Is the Federal government going to be left bearing all the risk if a Federal loan has a 10 year deferral feature?

No. The issuer's rate covenant will require it to set rates and charges sufficient to meet scheduled debt service on *both* its capital markets debt and the Federal loan. The deferral feature will help in the event that raising rates and charges is "revenue negative" to the project, and it is necessary to allow time for traffic levels to grow.

Even in the extreme case where there are absolutely *no* loan repayments on the Federal loan over the first 10 years, the capital markets debt will continue to bear a large degree of risk. For example, if the Federal loan initially was at the maximum amount (33%) and the capital markets debt for the remaining 67% was structured with 30 year level debt service (which is typical), at the end of 10 years the respective percentages of outstanding debt would be 54% Federal and 46% private. As the two debt instruments would be on parity at that point, there would be continued risk-sharing over the life of the project.

3. How do we ensure the risk scoring of each project is accurate?

Last year, OMB requested that DOT develop a methodology for evaluating the risk of surface transportation projects which is independent, objective and conservative. For large, complex, one-of-a-kind projects like toll roads, we believe the most appropriate method for scoring the loans is to out-source the analysis to the rating agencies. They evaluate hundreds of different infrastructure projects each year, and are more qualified than DOT or OMB to analyze the risk.

We propose using the "capital reserve" approach that the rating agencies use for assessing the claims-paying ability of municipal bond insurers. The insurers' portfolios of guarantees (totaling over \$ 550 billion par amount) are analagous to the Federal government's \$ 970 billion portfolio of Federal Credit loans and loan guarantees. Each loan's capital reserve would be based on the project's rating. The capital reserve then can be expressed as a series of annual cash flows for insertion into the OMB model.

It is important to recognize that the financial assumptions for bond insurers are much more rigorous than required for scoring pursuant to the Federal Credit Reform Act. The rating agencies subject insurers to a "stress test" of a 1930's-era Depression scenario, evaluating not only the insurers' ability to pay claims but also their resources to continue writing new guarantees as an ongoing AAA rated concern. In contrast, FCRA utilizes *expected* outcomes of cash flows at the time the loan is made relating to repayments, delinquencies, defaults, and recoveries. For example, Fitch concluded that a 5% reserve would be appropriate for BBB rated toll projects. Yet over the last 40 years, actual toll road defaults have amounted to only 1% of new money issues (excluding refundings) and unrecovered losses net of recoveries have amounted to just *three-tenths of one percent*.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: RODNEY E. SLATER *RES*
RE: THE NATIONAL ECONOMIC CROSSROADS TRANSPORTATION
EFFICIENCY ACT (NEXTEA)

The Intermodal Surface Transportation Efficiency Act (ISTEA), which authorized \$157 billion in highway, transit, and safety programs over a six-year period, expires at the end of FY 1997. The reauthorization of these programs gives us a unique opportunity to ensure that transportation investment, the single largest federal program apart from defense and entitlements, focuses on achieving vital national goals and on preparing our economy and our communities for the challenges of the 21st century.

I am writing to request your approval of a comprehensive reauthorization proposal which we have developed with OMB and with other White House offices and Cabinet agencies. Our proposal, the National Economic Crossroads Transportation Efficiency Act (NEXTEA), expands on your Administration's successful efforts to build long-term prosperity. NEXTEA has also been designed to advance a broad range of national priorities highlighted by the Administration, such as improving safety and lowering health care costs, protecting our environment, speeding welfare recipients' transition to work, and bringing common sense to government's operations.

Attached is a summary of NEXTEA's major policy initiatives and how they can help us to achieve these goals, as well as a draft budget detailing proposed authorization levels. I am testifying before the Senate and the House this week on the subject of reauthorization, and hope to deliver the Administration's proposal at that time, so we can lead the debate that is unfolding.

Background: The Intermodal Surface Transportation and Efficiency Act of 1991

Responding to concern about the condition of our infrastructure and its impact on the economy and national competitiveness, the 1991 ISTEA legislation authorized record levels of federal highway and transit investment. But ISTEA did more than just provide additional resources: it revolutionized the U.S. transportation program by recognizing that, beyond

building roads and mass transit, Federal investment must also improve productivity, preserve our environment, protect safety, and strengthen communities. And ISTEA boldly reshaped the Federal program -- both in terms of dollars and process -- to reflect those goals.

We have made good on ISTEA's promise, and on your call to "Rebuild America." Working with Congress, over the past four years we have raised infrastructure investment by more than 20 percent over Bush Administration levels. These investments have already paid off, with substantial improvement in conditions and performance on both highway and transit systems. In addition, we have effectively implemented the progressive features of ISTEA. With DOT encouragement, states have used the power to shift funds among different categories. We have implemented the inclusive, results-oriented planning process required by ISTEA, bringing new stakeholders -- environmentalists, freight interests, community activists -- to the table. And we have made a success of ISTEA's environmental programs, which in FY 1996 supplied over \$1 billion for projects that help states and localities achieve Federal air quality goals.

DOT Outreach Efforts

In the past year, DOT conducted 14 regional hearings and over a hundred focus groups to help us develop an Administration reauthorization proposal. We heard many different people -- both transportation professionals and others -- and a lot of different ideas. But one point of consensus did emerge -- that ISTEA is working, and that we should build on its foundation as we shape a 21st Century transportation system. Our NEXTEA proposal reflects this core idea.

Other Views

As you know, ISTEA has been popular with urban interests including mayors and public transit advocates, environmentalists, preservationists and community activists. State views are more complex, as the country is split between so-called "donee" states that benefited from ISTEA formulas and "donor" states that receive back less than the full amount of their gas tax contributions to the Highway Trust Fund. States of the Northeast, which includes many large donee states, are supporting continuation of ISTEA, and especially its formulas. Donor states including Virginia, Florida, California, and others have founded a coalition, "STEP 21," to push a program that guarantees 95% return on gas tax collections. Traditional highway interests like the Highway Users Federation and the American Trucking Association want to roll back ISTEA's multi-modal and progressive features.

Despite their differences, these interests all support a strong Federal program. By contrast, a few Governors and Congressmen (Senator Mack, Representative Kasich, and Governors Voinovich, Wilson, and Engler) have voiced support for a radical devolution approach that would cut the Federal gas tax to two or three cents (excluding the 4.3 cents for deficit reduction) over the next few years.

Administration Strategy

The reauthorization bill is likely to be one of the major pieces of bipartisan legislation in this Congress. In developing our NEXTEA proposal, our goal has been to assure that the Administration can play a leadership role in the debate -- unlike the Bush Administration, which was effectively excluded when ISTEA was being developed.

As indicated above, many substantive issues in the debate will be driven by resources -- particularly the growing balances in the Highway Trust Fund. Last year, the House passed a bill to take the transportation trust funds off budget by a 2-to-1 majority. This legislation will likely pass again this session. The Senate is under pressure to follow suit, or to find other strategies to spend out the trust fund balances. You have heard from mayors, governors and others urging that the Administration support high authorization levels. As you may recall, this issue was resolved during the budget process, after an appeal from Secretary Pena, by committing to authorization levels higher than anticipated year-by-year obligations. This puts us in the position of proposing to increase authorizations over ISTEA, but may prompt some criticism that actual spending levels will fall short. To this point, our position in the budget process -- that the authorization levels give room for transportation investment to increase in the event the economy performs well -- has been positively received by most constituencies.

The substance of our NEXTEA proposal builds on the foundation laid by ISTEA and links the Federal program more closely to Administration priorities. As detailed in the attached summary, our proposal contains a variety of new elements -- incentives for technology deployment, innovative finance tools, a dedicated fund for welfare to work transportation services and bigger resources for environmental protection. But we have also been mindful of the need to maintain credibility with traditional transportation interests and committee and subcommittee chairs -- particularly in light of the resource constraints discussed above. Further, our proposed formulas have been shaped to walk a fine line between the warring parties: as drafted, they recognize both the principle of equity and also fairness for Northeastern ISTEA donee states.

AMTRAK

One policy issue that has not yet been fully resolved has to do with Amtrak. The Department's NEXTEA proposal supports all surface transportation modes, including intercity passenger rail. For the first time, states and localities will have the ability to use federal transportation funds to participate in intercity rail passenger and freight projects. Amtrak reauthorization is included in the legislation as a clear statement that rail passenger service must be an integral part of our 21st century intermodal system. I believe NEXTEA should ultimately include Amtrak reauthorization in order for the Administration to lead the debate on this central aspect of our transportation future.

The Department's Amtrak reauthorization proposal fully funds Amtrak out of the Highway Trust Fund and enables Amtrak to become eligible for certain flexible funds previously limited to highways and transit. We also have suggested an approach which would convert federal operating assistance for Amtrak into capital which would allow commitment of much higher funding numbers under applicable scoring rules.

OMB has indicated that additional review of the Amtrak legislation will be necessary, and we are continuing to work with their staff. I would urge that appropriate Amtrak reauthorization legislation be submitted to Congress as quickly as possible. Given Senator Lott's interest in this subject, it is likely that Congress will pass Amtrak legislation in this session. During your first term, this Administration has consistently supported Amtrak. By submitting an Amtrak legislative proposal soon, we can continue to lead the debate to ensure a visionary and intermodal surface transportation system for the 21st century.

I am confident that our NEXTEA proposal will position the Administration as a major player in this debate. Your leadership is essential to move forward this important legislation, and we will keep your staff apprised of opportunities for involvement.

attachment

SUMMARY: USDOT NEXTEA PROPOSAL

Investing for Trade, Jobs, and Economic Growth

Responding to concern about the condition of our infrastructure and its impact on the economy and national competitiveness, the 1991 ISTEA legislation authorized record levels of federal highway and transit investment.

We have made good on ISTEA's promise and on your call to "Rebuild America." Working with Congress, over the past four years we have raised infrastructure investment by more than 20 percent over Bush Administration levels. We also have completed construction of the Interstate Highways, and have designated the National Highway System, a network of roads most vital to our economy and national security.

As approved by OMB, NEXTEA builds on this success while helping us to move towards a balanced budget. It would authorize \$174 billion for surface transportation programs from FY 1998 through FY 2003, a nine percent increase over ISTEA. The proposed authorization levels would sustain core programs such as the National Highway System, maintenance of the Interstates, and bridge reconstruction.

As you said in his recent State of the Union address, "America is once again the most competitive nation and the number one exporter in the world." That is partly due to the growing efficiency of our freight system, which has cut costs by taking advantage of such advances as intermodal shipping and "just-in-time" deliveries. Therefore, we propose to continue these productivity improvements by making intermodal and rail freight facilities eligible for federal aid under certain circumstances.

With the success of NAFTA and GATT, we have seen a tremendous growth in north-south trade. To make the most of this opportunity, we also propose new programs to improve our border crossings and to invest in major trade corridors.

Bringing Innovation to Infrastructure Finance

The federal government alone cannot meet all of our infrastructure needs. In response to your January 1994 Executive Order on infrastructure, we launched a broad innovative finance initiative targeted at cutting red tape to speed construction projects and attracting new resources, especially private capital, to infrastructure investment. The 74 projects approved through this pilot program started an average of two years early and attracted \$1.2 billion in investment beyond that available through conventional financing. We since have made these strategies part of our routine way of doing business.

We already have begun the next step, the State Infrastructure Bank (SIB) program, which uses federal seed money to leverage private and nonfederal public funds in 10 pilot states. Under NEXTEA, we want to expand the SIB program by opening it to all states and to establish a Federal Credit Program for projects of national significance, such as California's Alameda Corridor.

Investing in Research and Technology

Technology offers another strategy for maximizing federal investment and improving system performance. In many cases, technology can provide additional capacity at lower monetary and environmental cost than new construction. Therefore, we propose making technology investments eligible for funding under all major investment categories. In addition, we propose a new incentive program for states and localities to deploy Intelligent Transportation Systems (ITS) in ways that ensure they are fully-integrated and regionally and nationally-compatible in order to maximize their long-term benefits.

Maximizing Flexibility to Shape our Transportation Future

We have taken maximum advantage of the tremendous flexibility ISTEA afforded state and local decisionmakers to use federal funds in ways that best meet their communities' special transportation needs. The Department's NEXTEA proposal goes the next step by including all surface modes. For the first time, states and localities will have the ability to use federal transportation funds to participate in intercity rail and bus projects. I believe Amtrak reauthorization must ultimately be included in NEXTEA in order for the Administration to lead the debate on this central aspect of our transportation future.

Moving from Welfare to Work

Among the barriers faced by those making the transition from welfare rolls to payrolls is access to jobs, training, and support services such as day care. Poverty and federal welfare eligibility rules mean that few welfare recipients own cars, and existing public transit often provides inadequate connections to job and training centers.

Therefore, we propose a six-year, \$600 million program to support flexible, innovative transportation alternatives, such as vanpools, to get people to where the jobs are. This program will be closely coordinated with other assistance that will be provided to states and localities working to meet the special needs of the welfare population.

Since transportation and construction jobs are among America's best-paying, we want to open opportunities in these fields for welfare recipients and other disadvantaged people. We propose to increase incentives for states and localities to provide job training in conjunction with federally-funded technology and construction projects, and to enable them to offer hiring preferences to welfare recipients and residents of Empowerment Zones and Enterprise Communities.

Enhancing our Environment

Air quality has improved steadily in recent years, the result of cleaner cars and other strategies targeted at cutting pollution. In 1990, 140 million people lived in areas that violated the standard for ozone, a smog precursor. Today, only 64 million live in such areas

in spite of increased travel. Continuing that progress in the face of the growing travel generated by a growing population and an expanding economy requires that we strengthen our environmental mitigation efforts.

NEXTEA continues our support of the successful Congestion Mitigation and Air Quality Improvement Program, which targets funds to transit, traffic flow improvements, and alternatives such as ridesharing. It also sustains our commitment to such well-received programs as Transportation Enhancements (which funds bicycle paths, vegetation planting and other environmentally-friendly projects), Recreational Trails, and Scenic Byways.

Improving Safety and Controlling Health Care Costs

The human cost of transportation deaths and injuries is immeasurable. But accidents are also a huge burden on our economy. Motor vehicle crashes alone cost our economy more than \$150 billion annually, including \$11 billion paid directly by taxpayers for medical care and to make up lost tax revenues.

Improving transportation safety can help to control these costs. The challenge we face is to increase safety even as travel increases. Under NEXTEA, we propose incentives to stem drunk and drugged driving and to reward state and local government efforts to increase safety belt use. In all safety areas, there will be a new emphasis on aggressive, performance-based management focused on results, not process. We not only will provide higher funding but also greater flexibility to shift those funds to programs with the highest safety payoffs.

Revitalizing Communities

As you have said, we must do more "to revive and empower poor urban and rural neighborhoods." Transportation empowers isolated communities by providing access to jobs, markets, education and health care, and by attracting new businesses to locate in disadvantaged areas. We propose to continue the Administration's strong commitment to both urban and rural public transit. In addition, we propose to strengthen the role of urban and rural decisionmakers under the cooperative planning provisions pioneered by ISTEA.

Conclusion

As this summary suggests, transportation touches all aspects of American life. It is about much more than asphalt and concrete: it is about *people*, and about how government can best meet their needs today, and to assure opportunity tomorrow.

ISTEA was a landmark in that it recognized that transportation investment must support other national goals. Our proposal for its successor meets the needs of the American people by refining its programs to meet the challenges of the new century -- challenges to build our economy, improve Americans' safety, preserve our environment, and deliver cost-effective, common sense government.

ISTEA REAUTHORIZATION PROGRAM PROPOSAL
(Dollars in Millions)

	Total ISTEA	Total ISTEA 2
Highway Infrastructure		
National Highway System	21,000	26,534
Interstate Maintenance Program	17,000	26,534
Surface Transportation Program/TE	23,900	34,771
Flexible Highway Infrastructure Safety		3,000
Interstate Transfer	960	
Interstate Construction	7,200	
Minimum Allocation	6,003	3,591
Donor State Bonus	2,832	
Hold Harmless	6,495	
90% of Payments	1,600	
Wisconsin	30	
Ferry Boats	100	
Demos	7,261	
NHS Corridors	248	
Bridge Program	18,100	15,874
Cong. Mitigation/Air Quality Impr. Program	6,000	7,800
Interstate Reimbursement	4,000	6,000
Recreational Trails Program	180	42
Scenic Byways Program	80	90
ITS/ATI Integration Deployment	659	600
FHWA Research & Tech. Programs	87	1,566
Federal Lands	2,600	3,150
Tax Evasion	45	30
Congestion Pricing		84
Bureau of Transportation Statistics	90	186
Emergency Relief Program	600	600
Miscellaneous Trust Funds		42
High Speed Rail	775	
Truman-Hobbs Bridge		102
Woodrow Wilson Memorial Bridge		400
Appalachian Highways		2,190
State Infrastructure Banks		900
Integrated Safety Planning		300
Gateway Border Crossing Pilot Program		270
RSPA Strat. Planning R&D & Intermod. Res.		60
Credit Reform Program		600
Other	45	
Budget Compliance	(2,557)	
FHWA Inflation in 2003*		537
Transit (with Inflation in 2003)		
Formula Capital	19,077	23,933
Discretionary Grants	12,422	5,776
FTA/Other		838
Safety		
Operations and Research (w/ '03 inflation)	465	893
Highway Traffic Safety Grants (no Infl in '03)	1,151	1,386
Motor Carrier Safety Assist. Pgm Grants (Infl in '03)	537	603
Subtotal ISTEA Programs	156,985	169,282
ADDITIONAL ISTEA PROGRAMS		
TRANSIT (with Inflation in 2003)		
WMATA		250
RAIL (with Inflation in 2003)		
AMTRAK Capital (HA)		1,344
NECIP (HA)		1,205
AMTRAK Operating (HA)		2,073
OTHER AGENCY ROAD PROGRAMS		3,213
Subtotal Additional Programs		8,085
TOTAL BA/CA (less MTF)	156,985	177,325
Total less other agencies	156,985	174,112

TAKING A DIFFERENT ROAD TO THE FUTURE

Rodney E. Slater, Bill Clinton's longtime confidant from Arkansas who's been nominated to be the new Transportation Secretary, could be written off as a "roads-only" guy. After all, he's just served four years as the top guy at the Federal Highway Administration. Earlier, he was Arkansas's highway commissioner.

But Slater appears to have a broader view. He's been one of the Clinton Administration's scouts out getting public input on ISTEA—the critically important 1991 Intermodal Surface Transportation Efficiency Act that's up for renewal this year.

Along with the resourceful use of scarce transportation dollars, community choice was the central idea behind ISTEA. Slater strongly favors the concept. He recently lauded "customer-friendly, community-oriented transportation facilities" that come out of "participatory community-based planning."

Before ISTEA, the highway lobby and state transportation departments, feeding off interstate funds and the federal gasoline tax, had a virtual hammerlock on decisions. That meant that alternatives to roads—bikeways, ferries, mass transit, joint-purpose terminals—never got considered.

Indeed, the old-style highway guys almost never asked whether the suburban and exurban roads they were building everywhere would increase mobility or simply trigger new waves of leapfrog development, worsening air pollution and increasing congestion.

Small wonder what America then got: unfettered suburban sprawl; unbridled, thinly spread development rolling out mile after mile from urban centers. Auto use cascaded, spewing an ozone haze.

Now those costs are coming home to roost. A staggering number of added freeway lanes will be necessary to meet projected traffic expansion in most urban areas. Federal studies show that the average Washington commuter spends 58 hours a year stuck in traffic. In the top-50 metropolitan regions of the country, traffic congestion for passenger and cargo movements already costs about \$45 billion a year.

The result is frustration, aggressive driving behavior, lost productivity and wages, absenteeism and shipments that arrive late or not at all. Regional economies are the building blocks of the nation's competitiveness—and congestion threatens them all.

ISTEA's message: Let's think before we build. Let's plan before we allocate limited transportation dollars. And let's devolve power for many decisions from the state down to metropolitan planning organizations.

What's more, the statute specifically encouraged the states and city planning organizations to consult with both business and the public and then calculate whether some mobility needs

could better be met by mass transit or so-called intermodal facilities linking road, rail, sea and air transportation.

ISTEA has clearly not worked as well as its more fervid supporters hoped. Many states used the discretionary funds that ISTEA gave them to keep spending money on more and more highways—on the theory that's what auto-happy America wants.

Missouri's initial version of smart new transportation planning, *Governing* magazine reported recently, was to decide that every town with 5,000 or more people would be connected by a four-lane highway. North Carolina chose the same and then pushed for beltways encircling each of its seven largest metro areas.

But ISTEA's focus on alternative transportation modes reduces congestion and makes a metropolitan region more economically attractive, says Fort Worth (Texas) Mayor Kenneth Barr. Fort Worth, for example, is designing an intermodal center to accommodate multiple modes of transportation, including a new Dallas-to-Fort Worth commuter rail line.

It's that kind of success that Slater and other Transportation Department officials have been hearing about all across the country.

At first, only a handful of states, including Florida,

Maine, New Jersey and Oregon, consulted early and seriously with their cities' urban planning groups and looked for alternative ways, ranging from light rail and bikeways to intermodal terminals, of solving their transportation problems.

Gradually, ISTEA has been changing transportation planning and spending. Even Missouri has agreed to a shared process for selecting projects and to work jointly with planning groups in the major urban centers. That has expedited projects, such as St. Louis's popular new MetroLink light-rail service.

In a major showdown last year, Michigan's Republican Gov. John M. Engler tried to override ISTEA's funding formulas by spending the federal dollars as he wished. A bipartisan coalition in the Detroit area cried foul, and the Southeast Michigan Council of Governments was able to force the governor, through ISTEA, to back down.

The long-abused inner cities are starting to benefit, too. Port, railroad and freight officials are getting involved in ISTEA planning. One result: Instead of building roads for freight-handling facilities in exurbia, there's debate and action on linking existing railheads and ports in the historic urban centers.

Still, much too much emphasis remains on building new roads, adding additional lanes and extending ribbons of concrete to the farthest suburbia. We still have a long way to go to get intelligent transportation planning everywhere. But ISTEA has let us make a start. And that's the case Rodney Slater will have to sell to Congress this year.

The old-style highway boys almost never asked whether the suburban and exurban roads they were building would increase mobility or simply trigger new waves of leapfrog development, worsening air pollution and increasing congestion.

TRANSPORTATION

Chafee Backs Alternative Plan On Road Spending Increase

New budget category would ensure that funds would be used for highways

Throwing his muscle behind the burgeoning campaign for more highway funding, Senate Environment and Public Works Chairman John H. Chafee, R-R.I., is proposing to create a new transportation budget category and increase road spending by up to \$33 billion yearly.

Chafee's plan falls about midway between President Clinton's budget proposal, which would hold annual highway funding stable at about \$20 billion, and a plan by Sen. John W. Warner, R-Va., chairman of the Environment and Public Works Subcommittee on Transportation and Infrastructure, that would increase funding to \$26 billion.

At least 58 senators now are publicly supporting proposals to boost annual highway spending by 17 percent or more.

Support for more road funding also appears strong in the House, which voted last year by a nearly 2-1 ratio to shield transportation trust funds from deficit-cutting maneuvers. (*1996 Weekly Report*, p. 1038)

Still to be heard from, however, are the powerful chairmen of the House and Senate budget committees, who want to restrain federal spending so the deficit can be eliminated by fiscal 2002. Rep. John R. Kasich, R-Ohio, and Sen. Pete V. Domenici, R-N.M., may mark up



Chafee



Domenici

a budget resolution this spring.

Domenici has hinted that he will try to increase highway spending, although perhaps not to the levels sought by Chafee and Warner.

A Spending Guarantee

With Congress scheduled to reauthorize an omnibus highway bill this year, many lawmakers want to score hometown political points by boosting funding. But they worry that appropriators can still cap annual transportation spending and divert federal Highway Trust Fund money for other programs — even if the highway bill sets higher authorized levels.

To ensure more highway spending, the draft bill by Chafee and Christopher S. Bond, R-Mo., which will be introduced as early as the week of Feb. 24, would weaken the appropriators' hand. It would set up a sort of "firewall" around the trust fund by requiring that the full amount of federal gasoline tax

and other money collected for highways in one fiscal year be spent on highways in the next fiscal year.

The bill would create a new budget category for the highway money, known as a "revenue constrained fund." Highway spending under this plan would increase from \$19.8 billion in the current fiscal year to \$23.1 billion in fiscal 2002, according to congressional estimates.

"This legislation will ensure that the taxes deposited into the Highway Trust Fund will be spent for their intended purpose," said Chafee and Bond in a Feb. 11 "Dear Colleague" letter.

Despite the widespread support for more transportation funding, the Chafee proposal faces a difficult path. It will likely be opposed by members of the Budget Committee members, which has jurisdiction over the plan, as well as by appropriators, because it would restrict their power to control spending.

Public transit advocates may also oppose it, because it could give greater funding priority to highways.

The Chafee plan is the latest of four major highway funding proposals.

In addition to the Clinton and Warner plans, a proposal by House Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa., would limit appropriators' authority over the transportation trust funds, and spend an additional 4.3 cents of gas tax monies on infrastructure, producing as much as \$30 billion yearly for highways. (*Weekly Report*, p. 365)

Even after setting the overall funding levels, lawmakers will also have to resolve a potentially fierce dispute over how to allocate the money among the states. Congressional leaders believe that the more overall money they have for roads, the easier it will be to satisfy members from most states. (*Weekly Report*, p. 294)

President Clinton	Sen. John H. Chafee, R-R.I.	Sen. John W. Warner, R-Va.	Rep. Bud Shuster, R-Pa.
Up to \$20.1 billion.	Up to \$23.1 billion.	\$26 billion.	Up to \$30 billion.
released Feb. 6, would keep highway spending over the next five years at close to current levels. It would also allow money to continue to accumulate in the Highway Trust Fund.	chairman of the Environment and Public Works Committee would spend all new revenue that comes into the Highway Trust Fund, but not the balance of money already in the fund or the interest on that balance.	would authorize \$26 billion a year through 2002, and would gradually spend the balance in the Highway Trust Fund.	Transportation and Infrastructure Committee, has proposed legislation that would fully spend money coming into the Highway Trust Fund. Proposals by some lawmakers to add 4.3 cents of gas tax money to the trust fund could produce a total of about \$30 billion annually for roads.

Highway Funding Proposals

(Figures denote annual spending)

TRANSPORTATION

Lawmakers Brace for Battle Over Highway Funding

Controversies over amount of money, distribution formula may produce sharply different bills in House, Senate

In just three words, Democratic Rep. Nick J. Rahall II sums up his strategy to keep hundreds of millions of federal highway dollars flowing to his home state of West Virginia: "Fight like hell."

That pretty much describes the mood of many lawmakers as they roll up their sleeves for the coming brawl over reauthorizing the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA).

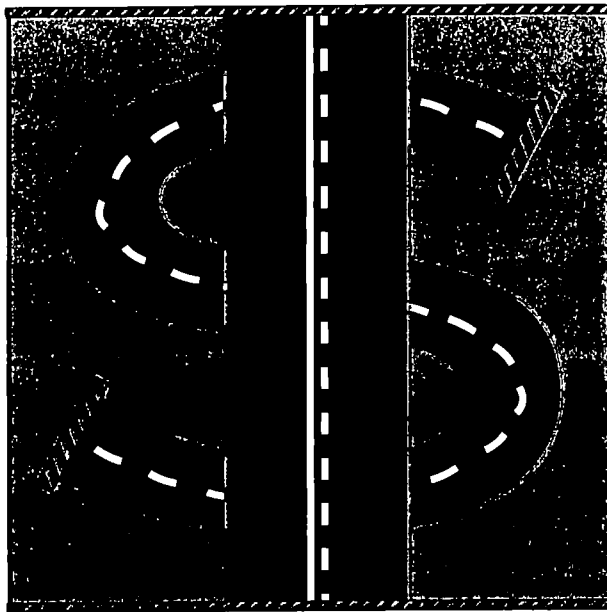
Although much of the omnibus bill will deal with general transportation policy, the most spectacular clashes will erupt over the raw desire of the states' congressional delegations to bring federal dollars back home.

Sun Belt states are better armed for the fight than they have been for years: The top GOP leaders in both the House and Senate hail from the South. But the current formulas distribute much of the funding to the Northeast and West, and the Northeastern chairmen of key House and Senate transportation panels are likely to balk at major changes.

The contentious issue highlights two differing philosophies about distributing federal transportation money:

Should Congress direct dollars to the areas of greatest need? If so, then money may continue to flow to the Northeast, which is contending with crumbling highways and massive congestion, and to some sparsely populated Western states, which do not have the tax base to maintain highways that are largely used by out-of-state residents.

Or should Congress direct dollars to the areas that contribute the most gas tax revenue to the federal Treasury? If so, then more money should go to California and to many Southern and Midwestern states, some of which receive



PATT CHISHOLM

80 cents or less for every \$1 they remit in gas taxes to the Highway Trust Fund. (*Highway fund winners and losers*, box, p. 295)

"There are two very legitimate interests with regard to the formulas, and they are inherently in conflict," said House Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa. "We've got to balance between the two."

Looming over this parochial fight is the question of how much money the states will be divvying up. Highway funding advocates want to soothe all sides by increasing the total amount of available road funding — possibly by 40 percent or more above current spending levels.

Deficit hawks, however, want to put the brakes on transportation spending. A third camp, led by Sen. Connie Mack, R-Fla., and others, say it is time to let the states, rather than Washington, oversee funding for their road projects.

Despite his call to change the system, Mack is bracing for the kind of wild money chase that was typical of funding legis-

lation before fiscal austerity became the mantra on Capitol Hill.

"It's going to be a classic," Mack said. "It moves away from the ideological debate into one of 'How does my state do?'"

Congressional leaders are hoping to clear the controversial measure by the early fall. The 1991 bill will expire on Sept. 30, and federal highway funding would be abruptly cut off unless Congress reauthorizes the bill or temporarily continues funding. (1996 *Weekly Report*, p. 3392)

To this end, lawmakers want to begin markups in March and possibly move the bills to the floors as early as April.

But key members and lobbyists are skeptical that the funding differences can be bridged so quickly. "Everything takes longer than you think," said Senate Environment and Public

Works Chairman John H. Chafee, R-R.I.

Sizing the Pie

Before the states begin brawling, Congress will try to establish the total amount of money available for transportation. Lawmakers who expect to play a key role on the legislation say a large pot could ease the funding worries of individual states, because there would be more money for everyone.

The five-year budget resolution that will be assembled over the next couple of months will set the broad parameters for highway spending. After that, though, Congress will still have considerable leeway over how to apportion the money, as well as whether to reauthorize the omnibus bill for five years to coincide with the budget resolution or for a different period of time.

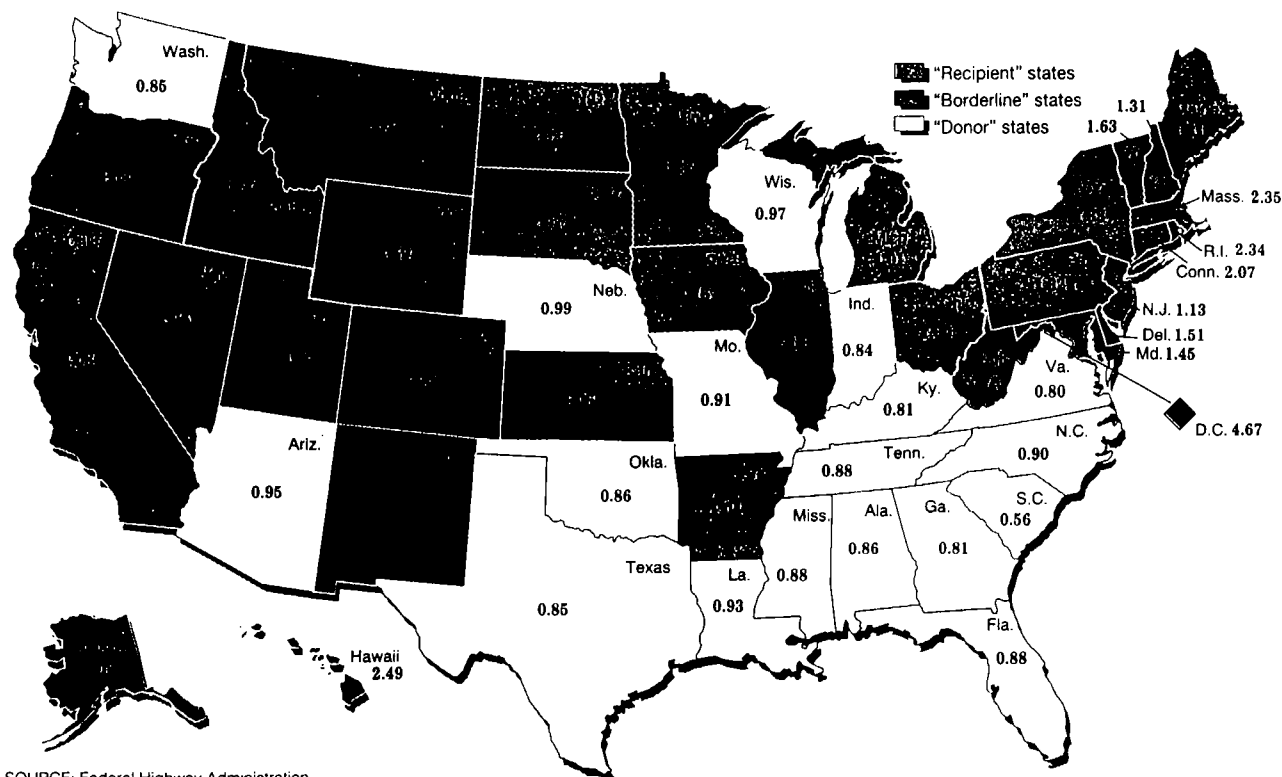
The six-year omnibus transportation bill enacted in 1991 authorized a total of \$151 billion. Of that amount, \$119.5 billion was for highways and related surface transportation projects (such as

By David Hosansky

Highway Fund Winners and Losers

(Fiscal year 1995)

Figures indicate how much a state received from the federal Highway Trust Fund for every \$1 it deposited in the fund.



SOURCE: Federal Highway Administration

As the above map shows, states fall into three categories when it comes to federal transportation funding:

- **"Recipient" or "donee" states**, clustered mostly in the Northeast and West, get back more money from the federal government than they pay into the Highway Trust Fund through gasoline, diesel and tire taxes.

- **"Donor" states**, clustered mostly in the South and Midwest, receive less money from the federal government than they remit to the trust fund.

- **"Borderline" states**, many of which are in the West, get back between \$1 to \$1.08 for every \$1 they remit to the trust fund. However, officials in some of those states argue they too are shortchanged, since they do not get a complete share of the interest that has built up on the tax revenues they have deposited in the trust fund.

The map uses fiscal 1995 funding figures, which are the most recent available. Funding patterns vary somewhat from year to year, and it is not unusual for a few states to switch categories. However, Northeastern and Western states consistently have fared best, with Southeastern states lagging far behind.

Congress last revised the formula in 1991, supposedly to iron out many of the historic funding differences between the states. However, lawmakers also agreed to lock in certain age-old calculations, thereby allowing Northeastern

and Western states to maintain their traditional advantages.

The complex formula established by the 1991 law takes into account eight programs and five separate funding mechanisms.

Using a sequence of 13 calculations, Federal Highway Administration officials add up funding for such programs as interstate highway construction, interstate maintenance, bridges and metropolitan planning. They also make five adjustments designed to boost funding for donor states and for states that built highways decades ago without federal assistance.

These calculations resulted from a deal lawmakers put together in 1991 to update funding formulas that had been used for seven decades. Congress adopted a hybrid approach: combining the average amount that each state received in the 1987-91 period with new adjustments intended to at least partially even out the funding distribution.

However, even as they instituted this complicated procedure, the lawmakers in 1991 left the four biggest transportation programs, which account for 70 percent of federal transportation funding, operating under a version of the longstanding formula that incorporates data from as long ago as 1916.

As a result, the calculations aimed at equalizing highway funding between the states "are essentially meaningless," according to a sharply critical 1995 General Accounting Office report.

— David Hosansky

Staking Claims for Their States

Ground zero of the coming war between the states over federal highway spending may be the Senate Environment and Public Works Committee, where the two most powerful Republicans are poles apart over how to handle the money.

The division highlights the unusual nature of the highway debate, which tends to pit one state against another, rather than breaking along partisan lines.

Getting first crack at the reauthorization of the omnibus highway measure will be Transportation and Infrastructure Subcommittee Chairman John W. Warner, R-Va., who wants the current formula overhauled. Virginia gets back only an estimated 80 cents for every \$1 in gas tax money it remits to Washington — and that, says Warner, is “a gross inequity.”

But Warner faces a strong opponent in John H. Chafee, of Rhode Island, chairman of the full committee. His state gets back \$2.34 for every dollar it remits to Washington, and Chafee wants to keep the situation just the way it is. “I like what we have in the bill,” he says.

Such opposing views may make for some uncomfortable moments between the two normally congenial men.

In many ways, Warner and Chafee have more similarities than differences. Both are fourth-term senators who served formerly as secretary of the Navy. They are both seasoned negotiators who came to power in an age marked by senatorial courtesy and middle-ground deals, and occa-



Chafee



Warner

sionally face fire from more hard-line conservatives.

Despite such bonds, the two will be hard-pressed to bridge striking differences over transportation funding.

Warner wants to increase highway spending by as much as 44 percent — thus providing more money for everybody and making it easier to produce a Senate majority in favor of revising funding formulas. Chafee, however, says such a spending boost would conflict

with deficit-cutting goals, which he sees as a higher priority.

Warner wants to mandate that all gas tax receipts go for transportation projects. But Chafee says that could short-change social and other non-transportation programs that benefit when highway trust funds are used to offset the government's general fund spending. “This is a big source of revenue and it shouldn't be spent all on highways,” Chafee said.

To be sure, the two men do agree on some ancillary transportation issues. For example, both oppose a plan by House Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa., to move the four transportation trust funds “off-budget,” thereby preventing the balances of those funds from being used to offset the deficit.

But when it comes to splitting up the funds, Warner and Chafee will be fighting first for their states. And only one is likely to emerge the victor.

—David Hosansky

scenic byways, ferryboat facilities and bicycle trails). The rest was steered to mass transit, transportation safety and research. (1991 Almanac, p. 147)

Large as those numbers appeared in 1991, they seem almost miserly compared with some of the proposals floated by lawmakers in recent months.

Sen. John W. Warner, R-Va., chairman of the Environment and Public Works Transportation and Infrastructure Subcommittee, has won the backing of at least 56 senators for a proposal to increase authorized highway funding to \$26 billion a year. That is a big boost above the current authorization level of \$20.4 billion, and some 44 percent higher than the \$18.1 billion spending level for fiscal 1997. (*Views of key Senate chairmen, box, this page*)

Such an increase, Warner believes, is necessary to get a majority of senators to agree to any compromise funding formula. “I need that money to work with a certain number of states to get them on,” he said.

Shuster would go further, moving the four transportation trust funds “off-budget.” This means that the trust funds

would not be counted as part of the government's overall budget, and their balances would no longer be tapped to offset the federal deficit.

The House committee chairman also wants to end the practice of directing a portion of the 18.3-cent federal gasoline tax to the federal Treasury for deficit reduction.

Shuster's proposals make Warner's look modest. They could boost annual highway spending to about \$30 billion a year, although he has declined to state a precise funding goal.

Politically, Warner and Shuster are in a strong position. Lawmakers in both parties like the idea of producing money for projects back home.

“It will play reasonably well with constituents because either roads are dangerous, or they are bumpy, or congested,” said Burdett A. Loomis, a political science professor at the University of Kansas.

But they face resistance from fiscal conservatives in both Congress and the Clinton administration who want to restrain highway funding in order to meet their goal of balancing the budget by

the year 2002.

Although exact figures are not yet available, Clinton's budget proposal, scheduled to be unveiled Feb. 6, reportedly will keep transportation spending roughly stable — perhaps increasing or decreasing by a few percentage points.

Faced with conflicting pressures, deficit hawks such as Senate Budget Committee Chairman Pete V. Domenici, R-N.M., are considering ways of boosting transportation funding by several billion dollars, but not to the level suggested by Shuster.

Budget Committee staffers also are looking at ways to guarantee future road spending, such as building a “firewall” around the Highway Trust Fund to prevent the balance from being tapped for other functions. That could help meet the demands of Shuster and his allies.

Asked how the transportation issue may be resolved, Domenici said: “I don't know yet. We're looking at ways to accommodate.”

Squaring Off

Even though the funding forecast remains uncertain, congressional leaders

are wasting no time staking out positions for their states.

Three camps are gathered for the funding formula battle: "recipient" states, which receive more from the trust fund than they contribute; "donor" states, which contribute more to the federal Highway Trust Fund than they receive; and "borderline" states, which receive just barely more than a dollar for every dollar they contribute to the trust fund.

Since the debate will be shaped largely by the GOP majority, the donor states could hardly have a stronger phalanx of spokesmen. All five top GOP leaders — Senate Majority Leader Trent Lott of Mississippi; Senate Majority Whip Don Nickles of Oklahoma; House Speaker Newt Gingrich of Georgia; and two Texans, House Majority Leader Dick Army and House Majority Whip Tom DeLay — are from Southern donor states.

Throwing down the gauntlet, Lott is insisting on a formula that is better to Mississippi. The state is getting back only about 88 cents for every \$1 it remits to the federal government in gas taxes, according to Federal Highway Administration records. "I can't defend that to my constituents, and so I'm going to be hard-pressed to schedule that bill without a little fairer formula," Lott said.

Yet even as Lott prepares to have the last word in the Senate, much of the actual detail will be filled in by Chafee and Shuster, whose Northeastern states benefit from the existing formulas.

Chafee, for one, is undeterred by Lott and voices skepticism over changing the formulas. "I think the existing legislation is very good legislation," he said.

Backstopping the recipient states' effort are such key figures as GOP Sens. William V. Roth Jr., R-Del., (chairman of the Finance Committee, which oversees transportation taxes) and Alfonse M. D'Amato, R-N.Y. (chairman of the Banking, Housing and Urban Affairs Committee, which oversees public transit).

Also likely to weigh in is Rep. Gerald B.H. Solomon, R-N.Y., chairman of the Rules Committee, which will be the last stop for the transportation bill before the House floor.

The Democratic minority also faces possible parochial divisions over the funding formula. Senate Minority Leader Tom Daschle comes from a recipient state, South Dakota, while House Minority Leader Richard A. Gephardt is from a donor state, Missouri.

The funding-formula coalitions are likely to produce sharply conflicting results in the House and Senate.

The House, in which representation is based on state population, will all

most certainly favor large states such as California, Texas and Florida — all donor or borderline states under the current formula. But the Senate, in which every state has two members, will likely protect the interests of sparsely populated Western states, possibly hewing closer to the existing funding distribution.

"If you go strictly by the numbers, the donors have the votes in the House. The donees have the votes in the Senate," said West Virginia's Rahall, whose state

"If you go strictly by the numbers, the donors have the votes in the House. The donees have the votes in the Senate. So the formula is going to go down to last-minute battles in conference, as it did in '91."

—Rep. Nick J. Rahall II, D-W.Va.

is in the recipient group. "So the formula is going to go down to last-minute battles in conference, as it did in '91."

Competing Proposals

Participants in the funding debate have so far put three general proposals on the table:

● **Staying the course.** The first, backed primarily by Northeasterners, would keep the current funding formulas intact. "Reauthorize ISTEA with simplification and refinement, but without significant changes," declared a statement drawn up in December 1996 by 14 governors, most from the Northeast. "Its fundamental structure is sound and should be preserved."

Advocates of the current formulas say it would not make any sense to begin allocating federal transportation dollars based on how much each state contributes in taxes.

Transportation needs are greater in some states than others, justifying some redistribution of federal gasoline tax receipts, they say. Northeastern officials also contend that even though they get money back for highways, they lose billions of dollars to other programs that benefit Southern and Western states.

"The basic reason for federalism is for Washington to use money and distribute money based on the needs of the people," said New York Transportation Commissioner John B. Daly.

● **STEP 21.** Southerners are generally rallying behind an alternate funding formula proposal, known as STEP 21 (for "Streamlined Transportation Efficiency Program for the 21st Century"), which would guarantee each state a return of at least 95 percent of the funds it remits to Washington. Versions of the plan were introduced in the 104th Congress in the House by DeLay and Gary A. Condit, D-Calif. (HR 3775), and in the Senate by Warner and Bob Graham, D-Fla. (S 2143).

Supporters say the proposal would go a long way toward more fairly distributing gas tax receipts. "It brings into the modern era a formula to determine a more equitable allocation of the money paid by the driver," Warner said.

Warner and his allies say most states, other than a few in the Northeast, would receive a funding increase. And, by adding provisions to streamline federal transportation rules and give states more flexibility in road spending, they are hoping to win the backing of many recipient states, especially those in the West.

● **Turnback.** The most radical proposal would terminate most of the federal gas tax, returning the primary responsibility for highway building to the states. Sponsoring early versions of the plan in the 104th Congress were Mack (S 1971) and House Budget Committee Chairman John R. Kasich, R-Ohio (HR 3840).

Primary backing for the proposal comes from three large states that want more transportation money: California, Florida and Ohio.

Supporters say it would save money by reducing federal administrative costs, and give states more control over their road projects. "This is fundamental to those of us who talk about turning power back to the states," said Mack.

But the Clinton administration opposes the idea. Transportation Secretary-designate Rodney Slater says development of the nation's infrastructure should be overseen at the federal level. (*Slater confirmation hearing, p. 298*)

Even supporters of the turnback option concede that it is unlikely to pass. Instead, the proposal may be used as a negotiating ploy to make STEP 21 appear less drastic in comparison.

With no one proposal enjoying a clear advantage, lawmakers are bracing for a long season of negotiations.

Shuster predicted that Congress will have to produce some "combination of principle and politics" to garner a majority. But he would not speculate about the final bill. "We're going to pour the two elixirs into the pot, and stir, and see what we come up with," he said. ■

**U.S. Department of
Transportation**Office of the Secretary
of Transportation

Assistant Secretary

400 Seventh St., S.W.
Washington, D.C. 20590

March 6, 1997

MEMORANDUM FOR: John Hilley, Assistant to the President
for Legislative Affairs
The White House

FROM: Steven O. Palmer, Assistant Secretary
for Governmental Affairs

SUBJECT: Legislative Report for the Week of
March 3-7, 1997

CONGRESSIONAL AND ADMINISTRATIVE ACTIVITIES**I. This Week****Floor Action****Aviation Excise Taxes**

On Wednesday, February 26, and Thursday, February 27, the House and Senate, respectively, passed H.R. 668, legislation to reinstate the aviation ticket through the end of FY97. The measure was approved by a 347-73 vote in the House and by voice vote in the Senate. The legislation was signed by President Clinton on Friday, February 28.

Committee Action**ISTEA Reauthorization**

On Tuesday, March 4, and Thursday, March 6, the Surface Transportation Subcommittee of the House Transportation and Infrastructure Committee heard testimony from Members of Congress on ISTEA reauthorization legislation. At the March 4 hearing, 13 Members and other local officials testified in support of 15 specific ISTEA projects. On March 6, over 50 Members testified on ISTEA projects and policy initiatives. Additional hearings are scheduled for March 11 and March 13.

Page Two

Gore Commission Recommendations

On Wednesday, March 5, the Senate Committee on Commerce, Science and Transportation held a hearing on the findings and recommendations of the White House Commission on Aviation Safety and Security. The General Counsel for the Department, Nancy McFadden, and the Federal Aviation Administration's Acting Administrator, Barry Valentine, testified. Committee questions focused on why the White House Commission's recommendations did not include suggestions on ways to finance its recommendations. Concern was also expressed about the disconnect between the Commission's recommendations and President Clinton's FY98 Budget Request.

FY98 Appropriations

On Thursday, March 6, Secretary Slater testified, in separate hearings, before the House Appropriations Subcommittee on Transportation and the Senate Appropriations Subcommittee on Transportation on FY98 funding levels for the Department. The Secretary was questioned on a variety of issues that included aspects and timing of the Administration's ISTEA proposal; highway, transit and airport infrastructure funding levels; proposed FAA user fees; and the timeframe for appointments to senior Departmental positions.

Innovation in Transportation

On Thursday, March 6, Deputy Secretary Mortimer Downey testified before the Senate Committee on Environment and Public Works on Innovation in Transportation. Specific issues discussed include innovative financing, state infrastructure banks, intelligent transportation systems, innovations in methods and materials, innovative contracting and credit-based strategies. Mr. Downey highlighted the need to build upon these programs in ISTEA reauthorization legislation.

Congressional Review

On Thursday, March 6, the General Counsel for the Department, Nancy McFadden, testified at an oversight hearing before the Commercial and Administrative Law Subcommittee of the House Judiciary Committee on congressional review of agency rulemakings. Other witnesses included representatives from GAO, OMB, EPA, public interest groups and academia. Committee discussions focused on the efficacy of the review process and suggestions for legislative change.

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II. Next Two Weeks

Committee Action

Transit Zone Drug Interdiction

On Monday, March 10, the National Security Subcommittee of the House Government Reform and Oversight Committee will hold a hearing on the Coast Guard's efforts in Transit Zone Drug Interdiction.

ISTEA Reauthorization

The Senate Environment and Public Works Committee plans to hold additional hearings on ISTEA reauthorization, including March 13 on flexibility and eligibility, and March 19 on environment and planning. Associate Deputy Secretary Michael Huerta is scheduled to testify on March 13. Acting Federal Highway Administrator Jane Garvey will testify on March 19.

FY98 Transportation Appropriations

FY98 Budget hearings scheduled by the House Appropriations Subcommittee on Transportation include: the Inspector General on March 11, Coast Guard on March 12, Federal Highway Administration and National Highway Traffic Safety Administration on March 13, Federal Aviation Administration on March 18, Federal Transit Administration on March 19 and Federal Railroad Administration on March 20.

Current State of Amtrak

On Wednesday, March 12, the House Transportation and Infrastructure Subcommittee on Railroads will hold a hearing on the current state of Amtrak. Don Itzkoff, Deputy Federal Railroad Administrator, is scheduled to testify.

Similarly, on Thursday, March 13, the Senate Commerce, Science and Transportation Subcommittee on Surface Transportation and Merchant Marine will also hold a hearing on the status of Amtrak. Don Itzkoff, Deputy Federal Railroad Administrator, will testify.

FAA Research and Development

On Thursday, March 13, the House Science Subcommittee on Technology will hold a hearing on FY98 reauthorization of the Federal Aviation Administration's research and development programs. FAA Associate Administrator for Research and Development, George Donohue, will testify.

Page Four**Coast Guard FY98 Authorization**

On Tuesday, March 18, the Oceans and Fisheries Subcommittee of the Senate Commerce, Science and Transportation Committee will hold a hearing on FY98 and FY99 Authorization of Coast Guard activities. Admiral Robert Kramek, Commandant of the U.S. Coast Guard, is scheduled to testify.

Similarly, on Wednesday, March 19, the Coast Guard and Maritime Transportation Subcommittee of the House Transportation and Infrastructure Committee will hold a hearing on FY98 and FY99 Authorization of Coast Guard activities. Admiral Robert Kramek, Commandant of the U.S. Coast Guard, will testify.

Maritime Administration FY98 Authorization

On Wednesday, March 19, the House National Security Committee's Merchant Marine Panel will hold a hearing on authorization of the Maritime Administration's FY98 Budget request and on oversight of the Maritime Security Program. Vice Admiral Albert Herberger, Administrator of MARAD, will testify.

Aviation Insurance Program

On Thursday, March 20, the Aviation Subcommittee of the House Transportation and Infrastructure Committee will hold a hearing on aviation war risk insurance. A witness from the Federal Aviation Administration is expected to testify.



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

March 3, 1997

TO: Barry Anderson
Mark Mazur
Andy Blocker
Dorothy Robyn
Mozelle Thompson
Jane Garvey

FROM: Michael Deich 

Attached is a table comparing the elements of the Alameda project as proposed by the Administration last year, as agreed to this year, and DOT's proposed credit program. It is my hope that within the first two columns are the elements of a workable DOT credit program.

I am providing this matrix to use as a decision making tool to develop a credit program that the Administration can support and include in the reauthorization of ISTEA. Please provide to David Worzala (395-3101) of my staff by COB today your comments on which of the Alameda loan provisions could be included into a new DOT credit program. My staff will use your comments to develop a final proposal which we will share with you tomorrow.

cc: R. Lyons
A. Stigile
W. Chang
D. Tangherlini
P. Romani

Comparison of the Alameda Loan and DOT's Credit Proposal

Loan Provision	Original Alameda	Alameda as Signed	Proposed Program
Term	30 years from Substantial Completion (est. 33 yrs)	30 years from Substantial Completion (est. 33 yrs)	30 years from Substantial Completion
Rate	10 year Treasury Rate through construction. 30 year Treasury Rate thereafter (means there is an interest subsidy)	10 year Treasury Rate through construction. 30 year Treasury Rate thereafter (means there is an interest subsidy)	30 year Treasury Rate over the life of the Loan (no interest rate subsidy)
Amount	\$400 million. Loan equals 20% of Project costs. (but Federal participation equals 38% including Federal grants)	\$400 million. Loan equals 20% of Project costs. (but Federal participation equals 38% including Federal grants)	Loans may not exceed 33% of Project costs.
Repayment Schedule	Repayments must begin 7 years after a draw on the loan takes place. This period allowed for construction and operating phase in. Repayment schedule tailored to project cash flows with guarantee for Federal government of a percent of cash flows if fell off the repayment curve. i.e. our percent of revenues increases as time goes on or project falls behind	First repayment starts year after substantial completion. Tailored to project cash flows. New agreement relies on attaching off-project revenues of the Ports to repayment.	Payments must start within 5 years after substantial completion. Tailored to project cash flows.

Claim on net Revenues	guarantee of participatory interest in project revenues. - 10% after 5 years - 20 % after 10 years - 30 % after 20 years Repayments and deferrals have priority to any rebates, credit accruals, surplus funds, or equity returns to Ports.	Repayment subordinate to prior liens for Project Revenue bond debt service and deposits to maintenance fund.	Payments may be deferred by the Secretary during the first 10 years if insufficient revenues. Deferrals accrue interest. On parity with Project Revenue Bonds after 10 years and in event of default. If sufficient revenue is generated then on parity.
Deferral of Debt service in event of Rate covenant generates insufficient revenue.	Limited # of deferrals allowed, however not included in subsidy estimate.	Permitted over the life of bonds. Deferrals accrue interest at loan rate.	Permitted during the first 10 years only. Deferrals accrue interest at loan rate.
Repayment Sources	User charges (container fees) plus other dedicated revenues (Port contributions)	User charges (container fees) plus other dedicated revenues (Port contributions)	User charges plus other dedicated funding sources (specifically excludes federal-aid).
Borrower Covenants	None specifically identified.	ACTA is assigned the rights of Ports of LA/LB under MOU with Railroads to increase container fees up to 3% per year if needed to pay debt service.	To be determined on a case by case basis. Provision for covenants is explicitly provided in legislation.
Fees	none	none	Secretary may establish fees.
Tax status of Debt	Assumed taxable, although Administration was aware ACTA was pursuing tax-exempt financing.	To be determined. A portion of the project costs may be financeable under current law as Governmental Purpose Bonds. ACTA is seeking tax code change for remaining costs.	Legislation silent. Assumes it depends on tax status of project. Some projects will be able to issue all or a portion of their bonds as tax-exempt under General Purpose Bonds under current law.



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Number of Pages: 4 (including this page)

To: *Andy Blocker*

62604

From: [REDACTED]
DAVID WORZALA
202-395-3101

Comments:

Credit + info

TRANSPORTATION

Highway Interests Are Hoping To Pave Way for Policy Shift

With reauthorization of 1991 law around the corner, fight looms on funding for alternatives to car use

Environmentalists and highway advocates are waging a battle over billions of federal transportation dollars — one that ultimately could reshape the landscape of the nation's sprawling cities and towns.

The fight is a key issue in Congress' effort this year to reauthorize the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA), which funds highway construction and other transportation programs. The law expires Sept. 30.

Environmentalists pulled off a coup in the 1991 law, prevailing with the argument that transportation policy needed to break with the traditional focus of funding roads, bridges and transit.

As a result of their efforts, billions of dollars were shifted to new programs aimed at helping cities and suburbs comply with the 1990 amendments to the Clean Air Act (PL 101-549) and promoting alternative transportation modes to reduce automobile use. (*Clean Air Act amendments, 1990 Almanac, p. 229*)

"I think ISTEA was the biggest change in the direction of transportation policy since the creation of the interstate system," said James M. Shrouds, chief of the environmental analysis division at the Federal Highway Administration.

But now, those policies are again the subject of a faceoff between the environmentalists and urban planners who support them and the road advocates who favor a different direction.

At issue is the role federal policy should play in determining the profiles of the nation's major metropolitan areas, which often stretch from inner city business districts to shopping malls at



SCOTT J. FERRELL

The Washington area's Capital Crescent Trail was built in part on an abandoned railroad right-of-way.

the edges of suburbia.

The final outcome could well turn on a pivotal question: Who will control a honey pot of federal dollars to which allies of highway users and environmentalists both lay claim?

Allies of road builders and highway users challenge the justification for diverting federal funds from neglected roads and bridges to projects with environmental benefits that they question.

They argue that environmentalists have failed in their goal to coax Americans into alternative forms of transportation and that it is unfair to use billions of dollars originally earmarked for highways for other purposes.

The highway allies are looking to state officials, who administer most highway programs and who could control a larger purse if the next transportation bill returns the federal government to a more exclusive focus on roads.

Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa., who will take the lead on the transportation reauthorization bill in the

House this year, appears sympathetic to their goals.

He stresses his support for environmental protection but is critical of what he sees as unnecessary environment-related restrictions on transportation.

The advocates of alternative transportation programs respond that the transportation law is a first step in addressing the environmental consequences of a car-dependent society — a contributor, they say, to habitat and wetlands loss, as well as air pollution.

They are supported by the nation's cities and metropolitan regions that under the transportation law have been afforded more control over federal transportation money.

In Congress, they have the support of some influential allies, including Senate Environment and Public Works Chairman John H. Chafee, R-R.I.

Community Planning

The environmental accounts under the 1991 law may be the subject of controversy, but one point is beyond dispute. The law signaled a major change in federal transportation policy.

Building the interstate system had been a main focus of highway bills for 35 years. But with the system nearly finished in 1991, environmental groups and their allies contended transportation policy was ripe for a new mission.

The nation's highway-building boom after World War II, fueled in large part by the availability of billions of federal dollars, had established a strong reliance on the automobile.

Environmentalists argued that with America's love affair with the car showing no signs of cooling, the law should address some of the environmental ramifications, and the most visible target was air pollution.

By Allan Freedman

Two Laws Go Hand in Hand

Few major laws are as closely linked as the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) and the 1990 amendments to the Clean Air Act.

First, there is the all-important aspect of money that the 1991 law provides for pollution reduction requirements in the Clean Air Act.

"A lot of people see ISTEA as being the funding source for carrying out the transportation aspects of the Clean Air Act," said James M. Shrouds, chief of the Federal Highway Administration's environmental analysis division.

Then there are restrictions on transportation planning imposed by amendments to the Clean Air Act that have constrained road building and are a source of frustration for highway advocates.

Here are the key issues:

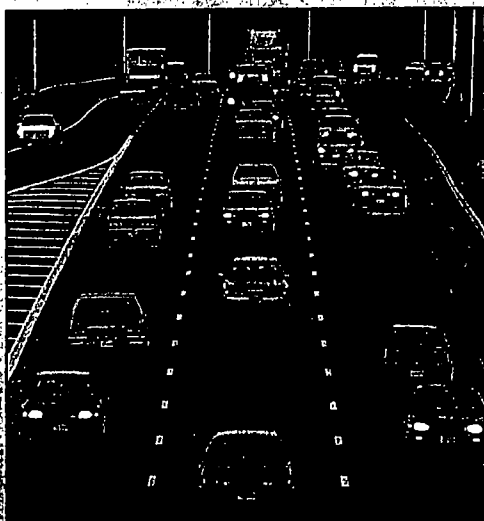
• **Conformity.** A provision of the 1990 Clean Air Act amendments requires metropolitan regions that do not meet federal air standards to develop transportation plans that conform to their state's air quality plan. The intent of the provision is to ensure that localities do not develop new highways or other transportation projects that contradict efforts to reduce air pollution. It is strongly supported by environmentalists.

But opponents, including some highway advocates, counter that the conformity provision imposes an unnecessary layer of bureaucracy and that the Clean Air Act already imposes sufficient limits on pollution-causing transportation developments.

Moreover, they say, the bureaucratic complexity of the provision gives environmentalists greater leverage to delay, and eventually kill, transportation projects not to their liking.

• **Pollution mitigation.** Created under the 1991 transportation law, the Congestion Mitigation and Air Quality Improvement Program was aimed at funding the transportation-related provisions of the Clean Air Act.

Authorized at \$1 billion a year, the program would receive a 30 percent increase under President Clinton's fiscal



The 1991 law altered federal transportation policy, which since World War II had strongly emphasized highway building.

transportation bill to amend the Clean Air Act. That, some say, would let loose a hornet's nest of issues in an already difficult process. "You would be opening a Pandora's box," said Paul G. Kerkhoven, director of environmental affairs with the American Highway Users Alliance.

One player to watch is House Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa. Shuster casts a skeptical eye on clean air restrictions. "I am very concerned about the Clean Air Act inhibiting traffic safety," he said, adding that congestion could worsen air quality.

But despite his misgivings, Shuster said he is not interested in prying open the air pollution law, in large part because jurisdiction rests with the House Commerce Committee.

In the Senate, the Environment and Public Works Committee has jurisdiction over both clean air and transportation, but Chairman John H. Chafee, R-R.I., said he supports the environmental provisions.

"I don't want to use that as a great vehicle to make changes in the Clean Air Act," said Chafee. "I like the ISTEA bill the way it is."

— Allan Freedman

1998 budget proposal.

Proponents assert the program provides local officials with the money to meet the costs of compliance and has spurred them to develop transportation alternatives.

Critics say the program has done little to improve air quality and the money could be spent more wisely on other projects, including research to lower car emissions.

• **Sanctions.** Under the clean air law, a state can lose federal highway money if it does not meet compliance standards.

Environmentalists say they are on alert for proposed amendments to the anticipated transportation reauthorization bill this year that would water down environmental provisions in the Clean Air Act.

But so far, there are few signs that highway advocates want to use the

The Congestion Mitigation and Air Quality Improvement Program, with a \$1 billion annual authorization, provided funding for the transportation-related requirements of the 1990 Clean Air Act amendments.

Metropolitan areas that did not meet key Clean Air Act standards tapped federal dollars for pollution reduction projects, including car inspection and maintenance programs and equipping

city buses with cleaner burning fuels.

A smaller account for "transportation enhancement" was aimed at promoting alternatives to the automobile. It was authorized at about \$400 million a year over six years.

The money was used to renovate commuter train stations, build bicycle racks, create parks, pave hiking and bicycle trails, contain polluted water runoff from roads and preserve historic

structures.

By establishing the accounts, the environmentalists created an enticing financial incentive for local planners to start redesigning the landscapes of their communities.

L. Richard Mariani, a senior manager at the New Jersey Transit Corporation, noted that in the early years of the program, many localities struggled to develop projects.

But because federal dollars were available, they were pushed to think anew about transportation planning. They soon were seeking dollars for the kind of alternatives to big road projects that environmentalists and urban planners had advocated for years.

"We began to see a change in the application for projects," Mariani said. "It began to change people's minds locally about the kind of things that ought to be done. They followed the money."

Politics helped enshrine the policy. Local officials and members of Congress relished the political benefits from ribbon cuttings at bike paths and other projects popular with the public.

Roads to the Rescue

But highway advocates say that the new direction is not for the better. They contend that federal highway policy has gotten off track, and the fallout can be seen in decaying roads — often referred to portentously as part of the nation's "crumbling infrastructure" — and more dangerous highways.

William D. Fay, president of the American Highway Users Alliance, pointed to Federal Highway Administration figures that indicate 32 percent of all the nation's bridges are deficient and 28 percent of all roads are poor or mediocre.

He argued that the environmental accounts use money from the federal gasoline tax, deposited in the Highway Trust Fund, that was intended to be spent on roads.

"ISTEA in 1991 was an incredible environmental victory," Fay said. "This was the most anti-highway highway bill in history. We are seeing the [effects] in lives lost and decay of our roads and bridges."

Advocates of the alternative programs dismiss this, noting that they are a small fraction of overall spending and stating that claims of compromised safety are overblown.

"They can't draw any correlation at all," said Hank Dittmar, executive director of the Surface Transportation Policy Project. "That is totally ridiculous. The reason that accidents are going up is that vehicle usage is increasing dramatically."

Supporters of the alternative programs say they support putting more money into upkeep of current roads.

But they note that 44 percent of the money set aside for roads and bridges under the transportation law went to new road construction or road expansion, not much-needed maintenance.

The true agenda of the highway advocates, environmentalists contend, is to build more roads without recognizing the larger environmental consequences of sprawling communities that rely exclusively on the automobile.

Advocates of the mitigation program concede that it has not achieved dramatic reductions in air pollution.



SCOTT J. FERRELL

A driver's-eye view of traffic Feb. 3 in Washington's Northern Virginia suburbs.

Nonetheless, they say it is a valuable part of overall strategies to reduce urban pollution.

"Along with other actions we've taken, it has created a better opportunity to move to clean air in our community," said Mayor Jerry Abramson of Louisville, Ky.

The Money Game

How each side fares is almost certain to be affected by the amount of federal dollars Congress is willing to spend. Shuster noted he will have a far easier time accommodating all interests — and getting a bill passed — if sufficient funds are available.

More money for both roads and bike paths might be a way to get highway interests and environmentalists on board.

Shuster plans to do his part, with tentative proposals to increase funding under the transportation bill by as much as 50 percent. (*Funding debate, Weekly Report, p. 294*)

But to policy-makers, who controls the money is as important as its availability.

The congestion mitigation program under the 1991 act provided new fund-

ing for transportation projects confined mostly to polluted urban areas — and gave metropolitan regions greater power by weakening the near-lock that state transportation officials and highway interests had held for decades on federal transportation money and a road-building agenda.

For metropolitan officials, the policy shift abetted their efforts to get their fair share of transportation funds. "Anytime the money goes directly to the states, the urban areas generally come up on the short end of the stick," said Abramson.

For environmentalists, a conscious strategy was at work. They recognized that if the federal government provided local governments with more control, they might hand over greater decision-making authority to officials and community activists more sympathetic to the environmentalists' goals than are many state officials.

Moreover, they argued that the congestion mitigation program provided funding to help meet federal requirements under the Clean Air Act, thus creating a "funded mandate."

Still, some states are looking to regain the ground they lost. And they would under proposals such as the one by the American Highway Users Alliance to terminate the congestion mitigation and transportation enhancement accounts and fold them into a surface transportation program.

This new program would be limited to 15 percent of total authorized highway spending, and states would be given much greater control over how this money would be used.

This is not only good transportation policy, say its supporters, but also sounder environmental policy.

The current system limits states' ability to direct funding where there is the most pressing need, Fay said.

He noted that under the congestion mitigation program money cannot be used for such activities as persuading car owners to scrap polluting older vehicles or take measures to lower emissions from cold starts when they are at peak levels.

"We don't want to pave America," said Fay. "We don't want to build a lot of new roads. But when you judge how successful environmentalists have been in getting us out of our cars, they have been a miserable failure." ■

James J. Jukes

03/06/97 10:00:53 AM

Record Type: Record

To: Diane C. Regas/OPD/EOP, Linda Lance/CEQ/EOP, Ananias Blocker III/WHO/EOP, Henry C. Kelly/OSTP/EOP

cc: Dorothy Robyn/OPD/EOP, James A. Brown/OMB/EOP, Diane R. Montgomery/OMB/EOP

Subject: Meeting at Noon Today on ISTEAClimate Change issues

You are invited to a meeting at **noon today in room 2010 NEOB** to discuss EPA's proposal on ISTEAClimate change and the counteroffer described in the attached e-mail. I understand that the counteroffer has been approved by NEC, DPC, and CEQ. OMB intends to attempt to persuade EPA that the counteroffer is the best we can do for them under the circumstances.

EPA will be represented by David Gardiner. DOT will be represented by Jane Garvey and Jano Lieber.

I will chair the meeting at Michael Deich's request. I apologize for the short notice. Michael believes that this issue must be closed today.

Diane R. Montgomery

02/28/97 07:21:18 PM

Record Type: Record

To: Dorothy Robyn/OPD/EOP

cc: Henry C. Kelly/OSTP/EOP

Subject: Sustainable Transportation Initiative

To resolve the Global Climate Change issue, I propose that DOT increase research spending to fund a Sustainable Transportation Initiative. This initiative would incorporate both global climate change research and Brownfields research at a total of \$25 million over the life of NEXTEA. The purpose of the initiative would be to collect the data regarding land use design, urban sprawl, modeling, sustainable development, Brownfields revitalization, LUTRAC pilots, etc., to better understand the relationship between these issues and transportation.

The program would be funded through FHWA's administrative funds, through which FHWA funds a large portion of their research program, via an existing environmental research and development program. We would instruct DOT to increase their research funds in this administrative account by reducing other administrative costs.

There would not be any specific authorization language referring to this new initiative in NEXTEA; there would simply be an agreement between EPA, OMB, and DOT that DOT will fund approximately \$4.2 million annually in research for these projects over the life of NEXTEA. Because this administrative account is authorized in permanent law, we do not need additional language. I believe we are in agreement that we do not want to call any more attention to this project than necessary. Each budget submission to the appropriations committee, however, would include a brief write-up of this initiative in the environmental research section of FHWA's budget.

**KEY EPA ISTEA RECOMMENDATIONS
and
DOT RESPONSES**

CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT

1. EPA: Continue CMAQ program. Continue funds for redesignated maintenance areas.

DOT: agreed.

2. EPA: PM nonattainment areas should be explicitly eligible for CMAQ funds.

DOT: agreed.

3. EPA: Allow CMAQ funding within expanded nonattainment area boundaries under revised standards.

DOT: Adopted. Use of funds allowed in new nonattainment areas, provided State has submitted a State Implementation Plan to EPA.

4. EPA: CMAQ funds should target projects with long-term air quality benefits.

DOT: Partially adopted. Bill provides that in selecting projects, both short-term effectiveness and long term sustainability of air quality benefits should be considered. Priority should continue to be given to transportation control measures listed in SIPs .

TRANSPORTATION ENHANCEMENTS

EPA: Better integrate TE funds and existing environmental planning requirements.

DOT: Agree. Can be done administratively, without seeking Congressional permission.

BROWNFIELDS REDEVELOPMENT

1. EPA: Affirm brownfields principles in NEXTEA.

DOT: DOT is committed to Administration brownfields program. However, Congressional feedback is that this would be rejected legislatively. Explicit brownfields policy statement therefore is not included.

2. EPA: Clarify brownfields eligibility.

DOT: Current law allows funding of cleanup with transportation project. DOT will review policy and alter guidance to conform to Administration policy.

3. EPA: Expand eligibility to use highway funds for brownfields outside right-of-way.

DOT: DOT/EPA compromise developed: a new pilot program to explore sustainable transportation/ land use/transportation connections, including brownfields redevelopment. (LGOE funding).

HISTORIC WETLAND RESTORATION PILOT PROGRAM

EPA: Establish a new program or set-aside in STP, NHS or TE to address wetland and riparian losses due to highway projects

DOT: Not necessary.. Restoration currently eligible. EPA agrees and accepts. DOT will issue guidance.

CLIMATE CHANGE

1. EPA: \$500 million incentive fund for states reducing GHG emissions.
DOT: Not adopted. Bill includes many provisions which help reduce GHG emissions -- emphasizing support for transit, railroads, bike/ped, intermodal facilities; increased funding for environmental programs; pricing policies; enhanced planning process. DOT's proposed pilot program on transportation and land use could fund study of travel reduction strategies. DOT will conduct further research. (\$15 M pilot, \$10 M research from LGOE, in addition to other planned research)

PLANNING AND PERFORMANCE STANDARDS

1. EPA: Develop performance-based performance standards.

DOT: No requirement in bill, but DOT guidance will encourage MPOs & states to use performance measures. DOT is working with AASHTO and other stakeholders to develop a plan for appropriate measures.
2. EPA: Require "performance based" public participation standards.

DOT: DOT will continue emphasis on public involvement. We provided extensive guidance during ISTEA on public involvement. We are avoiding additional prescriptive standards.

EIS and MIS

1. EPA: Maintain existing flexibility to do MIS before or jointly with EIS analysis.

DOT: Agreed. No legislative change.

MPO Structure, Scope Funding

1. EPA: Expand MPO boundaries to include new PM nonattainment areas.

DOT: Bill provides that this expansion can be added at request of governor and MPO.

2. EPA: MPOs need to fairly represent regional interests.

DOT: Bill requires fair and equitable treatment of central cities over 2000,000 in distribution of STP attributable funds. Also, central cities are given stronger voice in MPO designation actions by virtue of lowering population threshold to 51% (from 75%).this. We will continue to work with MPOs and central cities.

VOLUNTARY PARKING CASHOUT (COMMUTER BENEFIT)

EPA: Change tax code to allow employers to offer employees taxable cash salary instead of free parking.

DOT: We had proposed language EPA supported, but EPA and Treasury have different views. OMB is resolving differences and will provide instructions to DOT.

TRAFFIC CALMING

EPA: Create dedicated set aside for traffic calming.

DOT: Not accepted. Traffic calming now qualifies for Federal aid where on Federal aid system. Also, off system traffic calming is eligible if it qualifies as a safety project or if it contributes to the efficiency or safety of Federal aid systems.

ITS

EPA: Require ITS projects to be considered as regular transportation projects for planning/conformity.

DOT: Agreed. (This is already the case).

COOL COMMUNITIES

EPA: Set aside cool communities fund.

DOT: Landscaping is eligible for highway funds. FHWA has treeways program to promote planting Since 1987, at least one-quarter percent of funds spent on landscaping must be used to plant native wildflowers. Additional set-aside not needed.

LAND USE

EPA: Fund pilot for LUTRAQ type planning

DOT: Accepted. Land use/transportation connections to be studied in new pilot, cited earlier, which is to be funded at \$15 million (LGOE).

DREDGING

EPA: MPO planning should explicitly consider waterside infrastructure.

DOT: Bill refers to intermodal planning, which includes landside port access. Reference to port access is included in section by section. Waterside needs and planning are not part of MPO surface transportation responsibility.

3/4/97

02/19/97

NEXTEA & GLOBAL CLIMATE CHANGE DOT Proposals

DOT's ISTEA reauthorization proposal contains many elements supportive of the Administration's Global Climate Change policies:

- I. **Emphasis on supporting transit, railroads, bicycle/pedestrian travel, intermodal facilities, etc.**
 - \$5 billion/year in transit authorizations--an increase over ISTEA
 - \$565-767 million/year to fund Amtrak out of the HTF/Highway Account
 - Broadening the purpose of the Surface Transportation Program (STP) to now encompass all surface modes, including passenger and freight rail, transit, intermodal facilities, and bike/pedestrian facilities; and an increase in funding, to over \$6 billion/year
 - Expanded eligibilities in the NHS program, to include intermodal freight transfer facilities, bus and rail passenger terminals, and (under certain conditions) Amtrak capital as well as transit capital. (NHS funded at \$4.4 billion/year -- less than transit, less than STP.)
- II. **Increased funding for environmental programs:**
 - CMAQ to be funded at \$1.3 billion/year, a 26% increase over ISTEA
 - Transportation Enhancements (TE) to be funded at \$580 million/year, a 29% increase (TE includes vegetation planting, bicycle/pedestrian enhancements, and other provisions that help reduce Global Climate Change)
- III. **Pricing policies:**
 - Parking cash-out provisions, to encourage employers to replace parking-only subsidies with mode-neutral travel subsidies
 - Enhanced congestion pricing program (under new "Value Pricing" label) with 100% Federal share, more program slots, greater freedom to use pricing revenues, and other inducements
 - Elimination of statutory prohibition on tolling Interstate highways

IV. Enhancement of Planning Process:

Retains all major planning requirements and provisions:

- Fiscal constraint
- Public involvement
- Role of MPOs
- Linkages to Clean Air Act
- Environment goals

Reinforces MPO structure, with added emphasis on central city role and "fair and equitable" funding for central cities over 200,000 population

In response to EPA's desire for greater emphasis on Global Climate Change goals, DOT has offered to pursue two additional initiatives:

1. New pilot program to foster growth management planning and policy development

~~\$3~~^{1.5} million/~~year~~ to fund 10 or more areas

Studies would be like LUTRAQ project in Portland, OR

Projects would model and evaluate policies that foster growth management, metropolitan in-fill, and other strategies that reduce environmental and other costs linked to transportation

2. Formula adjustment factor (this would have to be statutory):

Add a provision to the highway program formulas that would compensate states which experience a reduction in their contributions to the Highway Trust Fund as a result of reduced fuel consumption and reduced travel.

This provision would take effect in the last two years of the reauthorization period (FY2002 and FY2003), and it would be based on a rolling three-year average of HTF contributions.

For states which meet the criteria, their apportionments would be adjusted so they would not experience reduced funding as a result of lower HTF contributions.

Further, DOT is pursuing a broad range of research and deployment activities that are supportive of the Administration's Global Climate Change policies:

Support for more fuel efficient clean-fuel vehicles

- C Since its inception in 1992, USDOT's Congestion Mitigation and Air Quality Improvement Program (CMAQ) has provided nearly \$291 million for alternative fuel projects. This represents about 11 percent of the more than \$2.7 billion in total funds obligated or earmarked for specific projects between 1992 and 1995.
- C ISTEA included a favorable match ratio (90%, rather than the usual 80%) for clean-fueled buses. The additional 10% ratio is worth up to \$60 million over the life of NEXTEA, if used by transit operators and other government entities purchasing buses.

Research on more fuel efficient and clean-fueled vehicles

- C Over the course of the past five years, the Federal Transit Administration (FTA) has had major programs underway related to electric and hybrid vehicles. FTA's enacted budgets for FY96 and FY97 included almost \$15 million to develop a new generation of transit buses which will be less polluting. This includes development of a light-weight, fully accessible low emission, fuel-efficient bus. Prototype buses will be tested in regular service during 1997. FTA has requested \$8 million in FY98 for this activity. A second major research effort is development of a fuel cell bus which will convert fuel directly to electricity for propulsion with ultra-low emissions. \$11 million has been requested for this and other new bus technology demonstration projects in FY98.
- C The National Highway Traffic Safety Administration's (NHTSA's) enacted FY97 budget included \$2.5 million for examining the crash worthiness of next generation vehicles. DOT has requested a similar amount in FY98. The satisfactory evaluation of the safety of personal AFVs is critical to commercial deployment.
- C The Research and Special Programs Administration (RSPA) joined DOE in a pilot project under the Clean Cities initiative to provide technical assistance to ten cities on the developing infrastructure to support electric vehicles. (\$75K FY 1996).
- C Federal Highway Administration (FHWA), FTA, and RSPA have had preliminary discussions with the Defense Advanced Research Projects Agency (DARPA), the Department of Energy, Department of Commerce and the Electric Vehicle Coalition on the possible transfer of the DARPA electric vehicle program to DOT. A transfer to DOT or DOE could accelerate the commercialization of electric fuel vehicles. The DARPA Electric and Hybrid Electric Vehicle Program has spent \$100 million over the past five years, plus industry match. DARPA will no longer fund this program beginning FY98. The consortia are requesting \$50 million for FY98, and the same for later years.
- C The Bureau of Transportation Statistics (BTS) is undertaking an assessment of the system implications of alternative energy vehicles in connection with PNGV. (\$250K)

Research on Sustainable Development

- C The proposed National Science and Technology Council's (NSTC) Transportation R&D Committee's Science and Technology Strategy contains many elements which would support R&T efforts directed at the Global Climate Change Initiative. Under that strategy, DOT is working closely with EPA to develop a Strategic Partnership Initiative on *Environmental Sustainability of Transportation Systems*. This initiative will include research into the impacts of expanding and enhancing transportation capacity. In NEXTEA, DOT includes a \$10 million authorization for intermodal strategic transportation research. This item will enable DOT to participate in the NSTC Partnerships Initiatives including the contemplated *Environmental Sustainability of Transportation Systems* as well related partnership initiatives. (The latter includes an environmental monitoring activity and next generation motor vehicles, i.e. PNGV passenger cars and medium and heavy duty vehicles.)
- C As part of RSPA's R&T program, work has been initiated to assess the transportation-related sustainability issues, including global warming. Work has been initiated to develop an R&D agenda for ensuring the economic, social, and environmental sustainability of US transportation activities. The effort will consider factors influencing transportation demand and land use; the planning context in which transportation decisions are made; and the potential contributions of various strategies to sustainability, including alternative vehicle technologies, ITS, new types of transit services, demand management, transit oriented development, and greater land use controls. (This an initial study for \$75K as part of RSPA's \$2.2 million to support activities in this area.)
- C FHWA's Highway Safety R&D (\$8.8 million/FY 1997) program includes a pedestrian and bicyclist safety effort in support of the Department's National Bicycling and Walking Initiative, which aims to double the number of pedestrian and bicycle trips and reduce the number of bicyclists and pedestrians killed or injured by 10%. This program will develop improved planning techniques, new methods for identifying problem locations, innovative engineering countermeasures and training tools to guide users in the implementation of improved pedestrian and bicycle facilities.
- C DOT has spent approximately \$5.5 million in FY96 and \$5 million in FY97 on planning research related to global Climate Change, with a\$5 million requested in FY98. The spending falls into two categories, both aimed at providing better estimates of travel in the calculation of greenhouse gas emissions. The two categories are the TRANSIMS project and general improvements to travel forecasting procedures (Travel Model Improvement Program). TRANSIMS uses household, traveler and traffic micro simulation, combined with new emissions procedures, to provide much better estimates of emissions, including greenhouse gases, than current methods allow for. TRANSIMS has been committed to as part of the Climate Change Action Plan. Improving existing procedures will modify existing tools to enhance their ability to analyze travel issues.

- C FHWA's Environmental Research program has several research activities related to sustainability. These include: assisting MPOs and States in meeting Clean Air Act requirements; and increasing community and public involvement related to the community impacts of proposed transportation projects (\$5.5 million/FY 1997). Among research projects funded are a synthesis of literature on greenhouse gas inventory, impacts and strategies to reduce greenhouse gases (\$50 K, FY 1997). FHWA contributed \$200K to a National Academy of Sciences/TRB study on Transportation for a Sustainable Environment which focuses on biodiversity and climate changes impacts of transportation, and emphasizes the global nature of the problem. In addition to the FHWA share, \$150K from the National Cooperative Highway Research Program and \$150K from the National Cooperative Transit Research Program were contributed (NCHRP and NCTRP are drawdowns from ISTEA transportation research and planning funds).
- C FHWA held, with TRB, a national environmental research conference in November, and the following additional research needs were identified for the energy conservation, alternative fuels and climate change category, with total costs of \$1.6 to 2 million:
- Preparing a public outreach toolkit to promote options to reduce personal transportation energy consumption and greenhouse gas emissions.
 - Market prospects of alternative fuel and super efficient vehicles and implications for greenhouse gas emissions.
 - Consequences of alternative highway pricing and financing systems for fuel consumption and greenhouse gas emissions.
 - Implications of global motorization for energy use and the environment.
 - Improving the efficiency of goods movements: developing information for state/MPO planning efforts.
 - Changes in the geography of production systems: implications for freight energy use.
- C The Office of the Secretary's policy office research program includes the following efforts related to sustainability: developing environmental, energy, and safety policies and policies for access for transportation disadvantaged (\$100K/FY98).

Support for more efficient land use.

- C FTA has examined transit supportive developments that are less dependent on automobile access and more conducive to transit riding, walking, and bicycling. FTA has also developed guidelines for planning and design of land use patterns that are sensitive to the needs of public transit. These guidelines are meant to create an efficient environment for future growth in suburban areas. This project began in 1990.
- C FHWA also supported the LUTRAQ project conducted by 1000 Friends of Oregon. FHWA contributed approximately \$200,000 to LUTRAQ in FY92 and FY93. FHWA funds supported development of the analytic procedures used in the LUTRAQ process.

NATIONAL JOURNAL'S CongressDaily/A.M.

WEDNESDAY, MARCH 5, 1997

GOP Sees Some Chance For Reversal After BBA Defeat

In a decision choreographed last week, the Senate Tuesday night narrowly defeated the constitutional amendment to balance the federal budget, although GOP leaders left open the possibility the Senate could vote again if the House approves the proposal. Repeating the vote that was cast during the first session of the 104th Congress, Tuesday's Senate tally was 66-34, one short of the two-thirds majority needed to pass a constitutional amendment. **Senate Majority Leader Lott** said he believes the House will approve the BBA. But House Republicans, fearing defeat in their chamber, had wanted the Senate to vote first and pass the measure to provide momentum.

Senate Republicans also left open the possibility of accepting changes the House may make in the BBA. "We'll be happy to look at whatever brings about that bipartisan coalition," **Senate Judiciary Chairman Hatch** said. However, some

House Republicans are pushing a plan that would take the Social Security trust fund off-budget as part of the BBA — a plan that Senate Republicans vehemently oppose.

Following the Senate showdown, **Senate Judiciary ranking member Patrick Leahy**, D-Vt., contended, "I think we struck a blow against bumper-sticker politics today." He called the proposal a "cockamamie way of amending the Constitution." Earlier, he said the measure is "beneath the United States Senate. It is beneath the House of Representatives." For his part, President Clinton in a statement said, "I am pleased that the Senate has heeded the warnings of eminent economists and constitutional experts from across the political spectrum, and defeated the balanced budget constitutional amendment." He suggested the measure "could have caused or worsened recessions, permitted a minority of legislators to hold the nation's creditworthiness hostage, involved unelected judges

Continued on Page 4

SCHEDULE

SENATE

Convenes at noon. After 1 p.m., the Senate is scheduled to consider S.J. Res. 5, the waiver necessary for the nomination of Charlene Barshefsky to be U.S. trade representative.

HOUSE

Convenes at 11 a.m. to consider under suspension of the rules: H. Con. Res. 173, Congratulating Guatemala On The Success Of The Recent Negotiations To Establish A Peace Process; H. Con. Res. 178, Congratulating Nicaragua On The Success Of Their Democratic Elections; and S. Con. Res. 4, Commending And Thanking Warren Christopher For His Exemplary Service As Secretary Of State. The House also is scheduled to vote on a suspension bill held over from Tuesday. H. Con. Res. 311, Regarding Public Display Of The 10 Commandments.

Continued on Page 7

Line Item Veto May Vex ISTE A Bill

A significant debate is brewing in Congress and within the Clinton administration about whether the president can use the new line item veto law to cancel contract authority contained in this year's reauthorization of the Intermodal Surface Transportation Efficiency Act, aides and outside observers said Tuesday. Administration officials refused to address the question, while most congressional aides said they still are trying to determine the law's impact. The confusion could set up a constitutional showdown if the president were to veto contract authority for projects included in the ISTE A bill. "It's a murky, murky issue," House Rules Committee aide Eric Pelletier said. "I wish we could go back to conference and clear it up a bit." Added a Congressional Research Service official, "We've been looking into it, but we don't have a final answer."

The line item veto — which took effect this year but faces court challenge — allows the president to cancel discretionary spending items, new direct spending or any limited tax benefit affecting fewer than 100 taxpayers. The law says the president must determine that such action would reduce the deficit. But contract authority, which is used for long-term building projects, obligates the government to pay, for example, \$25 million over five years to build a highway. That contract authority gives state governments permission to start those projects, and commits Congress to pay installments over the five years of the project. However, each annual payment must be appropriated by Congress. While a president can clearly use his line item veto

Continued on Page 5

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National
Journal

ISTEA

Continued from Page 1

power to eliminate those yearly appropriations items, aides said it is unclear whether a president can veto the broader contract authority granted in a bill like ISTEA.

Those arguing the line item veto cannot cancel contract authority point to the deficit test. Most contract authority for large projects in ISTEA is paid out of money from the highway and mass transit trust funds. Because eliminating such items would return the money to the trust funds, the line item veto may not apply to contract authority.

"Canceling contract authority does not reduce the deficit," one aide said.

Other confusion centers around whether contract authority is considered mandatory spending, for which the line item veto rules apply differently than for discretionary spending. The line item veto can be used only to eliminate mandatory spending above the current baseline for that program, which could shield most ISTEA programs from the veto threat.

During 1995 House debate, former **Rep. Bill Orton, D-Utah**, offered an amendment specifically to apply the line item veto to contract authority, saying the bill was not clear on that point. **House Transportation and Infrastructure Chairman Shuster** led the opposition to Orton's amendment, which was defeated.

Sources suggested that debate and vote against the amendment could be considered by the courts as congressional intent that contract authority is not covered by the law.

But Shuster's spokesman was the only one of more than 10 House and Senate aides interviewed who had a clear reading of the line item veto: Shuster's staff believes the president can veto contract authority, even though Shuster opposed specifying the president can.

The actual effects of the "murky" law will not be known until the president begins to use the line item veto — and how aggressively he uses it.

OMB officials refuse to talk about whether the line item veto will apply to contract authority, not wanting to dis-

close how it will be used, but also because of the pending lawsuit by members of Congress questioning the constitutionality of the line item veto.

A Transportation Department legal counsel said OMB still is determining the contract authority question.

"We've received instructions not to speculate on it," the official said.

One congressional aide said: "I expect the administration to use the line item veto to its fullest extent. If there's a gray area, they'll make it black or white."

— *By Matthew Morrissey*

New ISTEA Formula Fix Unveiled

Southern House members this week introduced legislation to return to each state 100 percent of the money it pays in federal gasoline taxes to the highway trust funds.

Rep. Mark Sanford, R-S.C., introduced the bill as an alternative to the "STEP-21" and "turnback" proposals advocated by other Southerners to get more money for their states in the Intermodal Surface Transportation Efficiency Act reauthorization.

Most Southern and Midwestern states pay more in federal gas taxes than they receive back in federal transportation funds because of ISTEA's allocation formula.

The turnback proposal by **Sen. Connie Mack, R-Fla.**, and **House Budget Chairman Kasich** would phase out most of the federal gas tax, forcing states to fund their own transportation projects. The STEP-21 plan by **House Majority Whip DeLay** and **Sen. Bob Gra-**

ham, D-Fla., would keep the federal role, but give Southern states more money from the formulas, guaranteeing a 95 percent return on a state's contribution to the trust funds.

Both plans also eliminate most of ISTEA's environmental and congestion mitigation programs. An aide said Sanford and his bill's 41 co-sponsors worry the debate over restructuring ISTEA's programs may derail their chances of changing the allocation formulas, which is more important to them.

Sanford's bill, introduced with **Reps. Bob Clement, D-Tenn.**, and **Steve Largent, R-Okla.**, would — unlike the turnback and STEP-21 proposals — retain all of ISTEA's current programs, but change the state allocation formulas.

Because each state would be guaranteed the same amount of federal transportation funding as taxes its residents pay each year, there would be no so-called donor or donee states under Sanford's plan, an aide said.

Task Force Mulls Cross-Selection Of Ethics Panelists

The House ethics reform task force Tuesday considered proposals that include having each party pick the other's Ethics Committee members, the *Associated Press* reported.

"It may be radical, but it's certainly worth looking at," said **House Appropriations Chairman Livingston**, who is co-chairman of the

task force with **Rep. Benjamin Cardin, D-Md.**

The American Enterprise Institute's Norman Ornstein came up with the idea of letting each party pick the other party's Ethics Committee members. He also proposed peremptory challenges.

"That's where one side says, 'OK, you've named 10 people. We don't want the top four, let the other six serve on

the committee,'" Livingston said. "That's constructive. Those are things we would consider."

To eliminate some frivolous complaints, the committee also is considering returning to the pre-1989 practice of letting the panel's chairman and ranking member decide which complaints are substantive. The task force also has set hearings for today and Thursday.

James J. Jukes

03/06/97 10:00:53 AM

Record Type: Record

To: Diane C. Regas/OPD/EOP, Linda Lance/CEQ/EOP, Ananias Blocker III/WHO/EOP, Henry C. Kelly/OSTP/EOP

cc: Dorothy Robyn/OPD/EOP, James A. Brown/OMB/EOP, Diane R. Montgomery/OMB/EOP

Subject: Meeting at Noon Today on ISTEAs Climate Change issues

You are invited to a meeting at **noon today** in **room 2010 NEOB** to discuss EPA's proposal on ISTEAs climate change and the counteroffer described in the attached e-mail. I understand that the counteroffer has been approved by NEC, DPC, and CEQ. OMB intends to attempt to persuade EPA that the counteroffer is the best we can do for them under the circumstances.

EPA will be represented by David Gardiner. DOT will be represented by Jane Garvey and Jano Lieber.

I will chair the meeting at Michael Deich's request. I apologize for the short notice. Michael believes that this issue must be closed today.

Diane R. Montgomery

02/28/97 07:21:18 PM

Record Type: Record

To: Dorothy Robyn/OPD/EOP

cc: Henry C. Kelly/OSTP/EOP

Subject: Sustainable Transportation Initiative

To resolve the Global Climate Change issue, I propose that DOT increase research spending to fund a Sustainable Transportation Initiative. This initiative would incorporate both global climate change research and Brownfields research at a total of \$25 million over the life of NEXTEA. The purpose of the initiative would be to collect the data regarding land use design, urban sprawl, modeling, sustainable development, Brownfields revitalization, LUTRAC pilots, etc., to better understand the relationship between these issues and transportation.

The program would be funded through FHWA's administrative funds, through which FHWA funds a large portion of their research program, via an existing environmental research and development program. We would instruct DOT to increase their research funds in this administrative account by reducing other administrative costs.

There would not be any specific authorization language referring to this new initiative in NEXTEA; there would simply be an agreement between EPA, OMB, and DOT that DOT will fund approximately \$4.2 million annually in research for these projects over the life of NEXTEA. Because this administrative account is authorized in permanent law, we do not need additional language. I believe we are in agreement that we do not want to call any more attention to this project than necessary. Each budget submission to the appropriations committee, however, would include a brief write-up of this initiative in the environmental research section of FHWA's budget.

TO: Worzala/Tornquist/Schwartz ✓
Barry Anderson
Jane Garvey ✓
Mark Mazur
Dorothy Robyn
Mozelle Thompson ✓

FR: Michael Deich

RE: Background memo for Principals on DOT's proposed credit program

I expect that we will need to call a Principals meeting in order to resolve the outstanding dispute regarding DOT's proposed credit program. I've attached a background memo from Mark Mazur that I hope can be distributed to the Principals tomorrow in preparation for a meeting -- as yet unscheduled -- on Friday. Please get comments to Mark Mazur by 10 a.m. tomorrow (if possible, pls cc everyone on the distribution list). Thanks.

Four pages follow.

ISTEA INNOVATIVE FINANCING OPTIONS

Option 1: Fully Taxable Debt with Flexible Payment Loan

This option would permit the Federal government to offer flexible payment loans to the sponsors (public or private sector) of certain transportation projects, with loan repayments to be made from project revenue flows. For the first 10 years of the loan's life, the Secretary of Transportation could defer repayment of either principal or interest on the Federal loan, if cash flows from the project are insufficient to cover these items. Any deferred payments would be added to the balance of the loan and would accrue interest at the Federal cost of funds.

The financing cost is a weighted average of fully-taxable bond rates and the Federal cost of funds.

Pros:

Flexible repayment loans may provide increased comfort to potential investors in worthwhile long-term projects as they will be better able to weather unexpected downturns in revenue flows.

This option permits private participation in transportation projects (e.g., ownership of the facility) as well as public project ownership. There may be efficiency gains from private participation that the public sector cannot obtain.

The use of fully-taxable debt provides a market test of whether the project generates sufficient benefits to be a desirable investment.

Cons:

The overall cost of financing under this option may be higher than that available if the project were funded using tax-exempt debt. The higher cost may discourage private sector participation in these projects.

Option 2: Public Ownership of Project with Flexible Payment Loan and Tax-Exempt Debt

This option would permit the Federal government to offer flexible payment loans to States or public authorities that undertakes certain transportation projects. Flexible loan repayments would be made from cash flows from the project, but the Secretary of Transportation could defer the repayment of either principal or interest during the first 10 years of the loan life, if cash flows from the project are insufficient to cover these items. Any deferred payments would be added to the balance of the loan and would accrue interest at the Federal cost of funds. The State or public authority could also issue tax-exempt debt (e.g., revenue bonds) subject to current law restrictions on use of proceeds.

The financing cost is a weighted average of the tax-exempt bond rate and the Federal cost of funds.

Pros:

Flexible repayment loans may provide increased comfort to potential investors in worthwhile long-term projects as they will be better able to weather unexpected downturns in revenue flows.

States may view the ability to borrow from the Federal government under a flexible repayment plan as superior to issuing tax-exempt debt. To the extent this occurs, the projected tax expenditure on tax-exempt bonds will be reduced.

While the flexible payment option may reduce the perceived riskiness of the tax-exempt debt, this is not a "Federal guarantee" in any meaningful sense, since the Federal government never pays interest or principal to the tax-exempt bondholders. Moreover, the financial support given to tax-exempt bondholders through the flexible payment option is so indirect and remote that it should not be viewed as a form of subordination.

The combination of tax-exempt debt and flexible repayment of the Federal loan may allow some projects that otherwise could not raise adequate financing to go forward.

Cons:

This option restricts project ownership to public entities.

A flexible payment option may be seen as subordinating the Federal debt to outstanding tax-exempt debt, resulting in a "guarantee" of tax-exempt debt, contrary to current Federal financing practice. This may occur because the potential for waiving payments to the Federal government provides additional assurance to the holders of the tax-exempt debt that they will be repaid in full.

Option 3: Public-Private Partnership Projects with Flexible Payment Loans and Tax-Exempt Debt

This option would permit the Federal government to offer flexible payment loans for certain transportation projects to a partnership between a State or public authority and a private entity. Flexible loan repayments would be made from cash flows from the project, but the Secretary of Transportation could defer the repayment of either principal or interest during the first 10 years of the loan life, if cash flows from the project are insufficient to cover these items. Any deferred payments would be added to the balance of the loan and would accrue interest at the Federal cost of funds. The State or public authority could also issue tax-exempt debt (e.g., revenue bonds) to finance the project (though this would require a change in the tax law governing private activity bonds that would permit issuance for public-private partnership transportation projects and allow these bonds to be issued without counting against a State's private activity volume cap).

The financing cost is a weighted average of the tax-exempt bond rate and the Federal cost of funds.

Pros:

Flexible repayment loans may provide increased comfort to potential investors in worthwhile long-term projects as they will be better able to weather unexpected downturns in revenue flows.

This option permits project ownership by either public entities or public-private partnerships. There may be efficiency gains from private participation that the public sector cannot obtain.

While the flexible payment option may reduce the perceived riskiness of the tax-exempt debt, this is not a "Federal guarantee" in any meaningful sense, since the Federal government never pays interest or principal to the tax-exempt bondholders. Moreover, the financial support given to tax-exempt bondholders through the flexible payment option is so indirect and remote that it should not be viewed as a form of subordination.

The combination of tax-exempt debt and flexible repayment of the Federal loan may allow some projects that otherwise could not raise adequate financing to go forward.

Cons:

A flexible payment option may be seen as subordinating the Federal debt to outstanding tax-exempt debt, resulting in a "guarantee" of tax-exempt debt, contrary to current Federal financing practice. This may occur because the potential for waiving payments to the Federal government provides additional assurance to the holders of the tax-exempt debt that they will be repaid in full.

Creating a new category of tax-exempt private activity bonds outside of State volume caps is undesirable because tax-exempt debt is an inefficient subsidy mechanism. The current law volume cap places a limit on how much a State can use this subsidy to benefit private sector participants. Creating a new category of tax-exempt private activity debt will increase the pressure for designating additional allowable uses of this debt and for increasing the private activity volume caps.

Possible Variations on the Options Presented

- Limits can be set on the amount of Federal loan participation in a project.
- A higher interest rate can be charged on any amounts deferred into the future.
- The period over which deferrals can be made could be modified.
- An interest subsidy could be offered to offset some of the financing cost of taxable debt, though this would be an expensive proposition.

from DOT

**REASONS WHY FEDERAL CREDIT ALONGSIDE TAX-EXEMPT DEBT
DOES NOT CONSTITUTE A FEDERAL GUARANTEE**

March 5, 1997

Issue: Treasury is taking the position that if a borrower receives a Federal loan, it should be precluded from arranging Tax-Exempt Debt for the balance of its funding, on the grounds that the loan constitutes a "Federal Guarantee" of the bonds, and is therefore impermissible.

Response:

This argument doesn't stand up in terms of Legal and Financial Analysis, Prior Precedent, and Cost-Effectiveness, as described below.

A. Legal and Financial Analysis

- *FCRA Treatment.* The situation described above does not represent a "guarantee" as defined in the Federal Credit Reform Act of 1990, in that no Federal payment or pledge is being made with respect to the payment of all or a part of any principal or interest on other debt obligations.
- *Tax Treatment.* Under the Internal Revenue Code, such an arrangement does not represent a Federal guarantee, as evidenced by the many favorable bond opinions which have been given in situations where a borrower has received a loan from the Federal government and also has issued tax-exempt bonds.
- *Rating Agency Treatment.* The rating on bonds issued for a project which also has a Federal loan does not reflect a Federal guarantee. Even with a Federal loan, the project debt on most start-ups will be in the BBB range, not AAA (which is how Federal guarantees are rated.) Investors do not view the bonds as "federally guaranteed" and there is no implied liability of the Federal government on other capital markets indebtedness.

B. Prior Precedent

There are numerous other situations where a borrower has used Federal Credit as well as tax-exempt financing.

- *FY98 Budget.* The President's FY 1998 budget proposal for a credit program contains no prohibition against project sponsors raising the balance of their funding through the tax-exempt market if they legally are able to do so.
- *School Construction Program.* The Administration has proposed a \$ 5 billion Interest Rate Buydown proposal for tax-exempt School Construction Bonds which would directly subsidize a portion of interest expense. This would appear to represent more of a "guarantee" than a direct Federal loan alongside project revenue bonds.
- *District of Columbia.* The District of Columbia has issued General Obligation bonds both to the general public on a tax-exempt basis as well as directly to the Federal government. The G.O.

Document No. _____

WHITE HOUSE STAFFING MEMORANDUM

DATE: 3/5 ACTION/CONCURRENCE/COMMENT DUE BY: 3/6SUBJECT: ISTEA Proposal

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	McCURRY	☐	☒
BOWLES	☒	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☒	☐	RUFF	☐	☐
MATHEWS	☒	☐	SMITH	☐	☐
RAINES	☒	☐	REED	☒	☐
BAER	☐	☐	SOSNIK	☒	☐
ECHAVESTE	☐	☐	LEWIS	☐	☐
EMANUEL	☒	☐	YELLEN	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☒	☐	SPERLING	☐	☐
HERMAN	☐	☐	HAWLEY	☐	☐
HIGGINS	☐	☐	WILLIAMS	☐	☐
HILLEY	☒	☐	RADD	☐	☐
KLAIN	☐	☐		☐	☐
BERGER	☐	☐		☐	☐
LINDSEY	☐	☐		☐	☐

REMARKS:

Please advise

RESPONSE:

*DAN
Andy*Staff Secretary
Ext. 6-2702

THE WHITE HOUSE
WASHINGTON

March 4, 1997

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: Gene Sperling

SUBJECT: Secretary Slater Memo on ISTEA

The Administration's \$175 billion ISTEA reauthorization proposal is undergoing final interagency clearance. The process has gone relatively smoothly, and we should be ready to transmit the bill in 7 to 10 days, in keeping with Secretary Slater's commitment to Congress.

Because of the importance of this bill, I have asked Secretary Slater to summarize for you the major issues it raises and the choices it reflects. I want to be sure, first, that you are comfortable with the positions the Administration is taking in its bill. Second, I want you to have an opportunity to offer additional ideas and comments on the ISTEA reauthorization, while we still have an opportunity to respond.

Key issues (in addition to the overall funding level, as set in your FY98 budget) are:

(1) the adequacy of 6-year funding for Administration priorities: welfare-to-work (\$600M); state infrastructure banks (\$900M) and other innovative financing (\$600M); congestion mitigation and air quality, or CMAQ (\$7.8B) and safety (approximately \$3B). (*See budget table comparing ISTEA and ISTEA 2.*)

(2) the balance, in terms of funding, between traditional programs (roads, bridges and transit) and newer programs, primarily environmental protection (*see "Other Views" and "Administration Strategy" in Slater memo*).

(3) the formula for allocating federal transportation funds to individual states (*see "Administration strategy" in Slater memo*).

(4) With regard to the Amtrak reauthorization, which Secretary Slater flags, the discussions between DOT and OMB are on course. We expect to transmit our Amtrak reauthorization bill by the end of next week.

_____ Approve Administration's ISTEA Reauthorization Proposal

_____ Disapprove

_____ Need additional information



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: RODNEY E. SLATER *RES*
RE: THE NATIONAL ECONOMIC CROSSROADS TRANSPORTATION
EFFICIENCY ACT (NEXTEA)

The Intermodal Surface Transportation Efficiency Act (ISTEA), which authorized \$157 billion in highway, transit, and safety programs over a six-year period, expires at the end of FY 1997. The reauthorization of these programs gives us a unique opportunity to ensure that transportation investment, the single largest federal program apart from defense and entitlements, focuses on achieving vital national goals and on preparing our economy and our communities for the challenges of the 21st century.

I am writing to request your approval of a comprehensive reauthorization proposal which we have developed with OMB and with other White House offices and Cabinet agencies. Our proposal, the National Economic Crossroads Transportation Efficiency Act (NEXTEA), expands on your Administration's successful efforts to build long-term prosperity. NEXTEA has also been designed to advance a broad range of national priorities highlighted by the Administration, such as improving safety and lowering health care costs, protecting our environment, speeding welfare recipients' transition to work, and bringing common sense to government's operations.

Attached is a summary of NEXTEA's major policy initiatives and how they can help us to achieve these goals, as well as a draft budget detailing proposed authorization levels. I am testifying before the Senate and the House this week on the subject of reauthorization, and hope to deliver the Administration's proposal at that time, so we can lead the debate that is unfolding.

Background: The Intermodal Surface Transportation and Efficiency Act of 1991

Responding to concern about the condition of our infrastructure and its impact on the economy and national competitiveness, the 1991 ISTEA legislation authorized record levels of federal highway and transit investment. But ISTEA did more than just provide additional resources: it revolutionized the U.S. transportation program by recognizing that, beyond

building roads and mass transit, Federal investment must also improve productivity, preserve our environment, protect safety, and strengthen communities. And ISTEA boldly reshaped the Federal program -- both in terms of dollars and process -- to reflect those goals.

We have made good on ISTEA's promise, and on your call to "Rebuild America." Working with Congress, over the past four years we have raised infrastructure investment by more than 20 percent over Bush Administration levels. These investments have already paid off, with substantial improvement in conditions and performance on both highway and transit systems. In addition, we have effectively implemented the progressive features of ISTEA. With DOT encouragement, states have used the power to shift funds among different categories. We have implemented the inclusive, results-oriented planning process required by ISTEA, bringing new stakeholders -- environmentalists, freight interests, community activists -- to the table. And we have made a success of ISTEA's environmental programs, which in FY 1996 supplied over \$1 billion for projects that help states and localities achieve Federal air quality goals.

DOT Outreach Efforts

In the past year, DOT conducted 14 regional hearings and over a hundred focus groups to help us develop an Administration reauthorization proposal -- both transportation professionals and others -- and a lot of different ideas. But one point of consensus did emerge -- that ISTEA is working, and that we should build on its foundation as we shape a 21st Century transportation system. Our NEXTEA proposal reflects this core idea.

Other Views

As you know, ISTEA has been popular with urban interests including mayors and public transit advocates, environmentalists, preservationists and community activists. State views are more complex, as the country is split between so-called "donee" states that benefited from ISTEA formulas and "donor" states that receive back less than the full amount of their gas tax contributions to the Highway Trust Fund. States of the Northeast, which includes many large donee states, are supporting continuation of ISTEA, and especially its formulas. Donor states including Virginia, Florida, California, and others have founded a coalition, "STEP 21," to push a program that guarantees 95% return on gas tax collections. Traditional highway interests like the Highway Users Federation and the American Trucking Association want to roll back ISTEA's multi-modal and progressive features.

Despite their differences, these interests all support a strong Federal program. By contrast, a few Governors and Congressmen (Senator Mack, Representative Kasich, and Governors Voinovich, Wilson, and Engler) have voiced support for a radical devolution approach that would cut the Federal gas tax to two or three cents (excluding the 4.3 cents for deficit reduction) over the next few years.

Administration Strategy

The reauthorization bill is likely to be one of the major pieces of bipartisan legislation in this Congress. In developing our NEXTEA proposal, our goal has been to assure that the Administration can play a leadership role in the debate -- unlike the Bush Administration, which was effectively excluded when ISTEA was being developed.

As indicated above, many substantive issues in the debate will be driven by resources -- particularly the growing balances in the Highway Trust Fund. Last year, the House passed a bill to take the transportation trust funds off budget by a 2-to-1 majority. This legislation will likely pass again this session. The Senate is under pressure to follow suit, or to find other strategies to spend out the trust fund balances. You have heard from mayors, governors and others urging that the Administration support high authorization levels. As you may recall, this issue was resolved during the budget process, after an appeal from Secretary Pena, by committing to authorization levels higher than anticipated year-by-year obligations. This puts us in the position of proposing to increase authorizations over ISTEA, but may prompt some criticism that actual spending levels will fall short. To this point, our position in the budget process -- that the authorization levels give room for transportation investment to increase in the event the economy performs well -- has been positively received by most constituencies.

The substance of our NEXTEA proposal builds on the foundation laid by ISTEA and links the Federal program more closely to Administration priorities. As detailed in the attached summary, our proposal contains a variety of new elements -- incentives for technology deployment, innovative finance tools, a dedicated fund for welfare to work transportation services and bigger resources for environmental protection. But we have also been mindful of the need to maintain credibility with traditional transportation interests and committee and subcommittee chairs -- particularly in light of the resource constraints discussed above. Further, our proposed formulas have been shaped to walk a fine line between the warring parties: as drafted, they recognize both the principle of equity and also fairness for Northeastern ISTEA donee states.

AMTRAK

One policy issue that has not yet been fully resolved has to do with Amtrak. The Department's NEXTEA proposal supports all surface transportation modes, including intercity passenger rail. For the first time, states and localities will have the ability to use federal transportation funds to participate in intercity rail passenger and freight projects. Amtrak reauthorization is included in the legislation as a clear statement that rail passenger service must be an integral part of our 21st century intermodal system. I believe NEXTEA should ultimately include Amtrak reauthorization in order for the Administration to lead the debate on this central aspect of our transportation future.

(b) The Department's Amtrak reauthorization proposal fully funds Amtrak out of the Highway Trust Fund and enables Amtrak to become eligible for certain flexible funds previously limited to highways and transit. We also have suggested an approach which would convert federal operating assistance for Amtrak into capital which would allow commitment of much higher funding numbers under applicable scoring rules.

OMB has indicated that additional review of the Amtrak legislation will be necessary, and we are continuing to work with their staff. I would urge that appropriate Amtrak reauthorization legislation be submitted to Congress as quickly as possible. Given Senator Lott's interest in this subject, it is likely that Congress will pass Amtrak legislation in this session. During your first term, this Administration has consistently supported Amtrak. By submitting an Amtrak legislative proposal soon, we can continue to lead the debate to ensure a visionary and intermodal surface transportation system for the 21st century.

I am confident that our NEXTEA proposal will position the Administration as a major player in this debate. Your leadership is essential to move forward this important legislation, and we will keep your staff apprised of opportunities for involvement.

attachment

"S18" legal mandates 2nd line through

SUMMARY: USDOT NEXTEA PROPOSAL

Investing for Trade, Jobs, and Economic Growth

Responding to concern about the condition of our infrastructure and its impact on the economy and national competitiveness, the 1991 ISTEA legislation authorized record levels of federal highway and transit investment.

We have made good on ISTEA's promise and on your call to "Rebuild America." Working with Congress, over the past four years we have raised infrastructure investment by more than 20 percent over Bush Administration levels. We also have completed construction of the Interstate Highways, and have designated the National Highway System, a network of roads most vital to our economy and national security.

As approved by OMB, NEXTEA builds on this success while helping us to move towards a balanced budget. It would authorize \$174 billion for surface transportation programs from FY 1998 through FY 2003, a nine percent increase over ISTEA. The proposed authorization levels would sustain core programs such as the National Highway System, maintenance of the Interstates, and bridge reconstruction.

As you said in his recent State of the Union address, "America is once again the most competitive nation and the number one exporter in the world." That is partly due to the growing efficiency of our freight system, which has cut costs by taking advantage of such advances as intermodal shipping and "just-in-time" deliveries. Therefore, we propose to continue these productivity improvements by making intermodal and rail freight facilities eligible for federal aid under certain circumstances.

With the success of NAFTA and GATT, we have seen a tremendous growth in north-south trade. To make the most of this opportunity, we also propose new programs to improve our border crossings and to invest in major trade corridors.

Bringing Innovation to Infrastructure Finance

The federal government alone cannot meet all of our infrastructure needs. In response to your January 1994 Executive Order on infrastructure, we launched a broad innovative finance initiative targeted at cutting red tape to speed construction projects and attracting new resources, especially private capital, to infrastructure investment. The 74 projects approved through this pilot program started an average of two years early and attracted \$1.2 billion in investment beyond that available through conventional financing. We since have made these strategies part of our routine way of doing business.

We already have begun the next step, the State Infrastructure Bank (SIB) program, which uses federal seed money to leverage private and nonfederal public funds in 10 pilot states. Under NEXTEA, we want to expand the SIB program by opening it to all states and to establish a Federal Credit Program for projects of national significance, such as California's Alameda Corridor.

Investing in Research and Technology

Technology offers another strategy for maximizing federal investment and improving system performance. In many cases, technology can provide additional capacity at lower monetary and environmental cost than new construction. Therefore, we propose making technology investments eligible for funding under all major investment categories. In addition, we propose a new incentive program for states and localities to deploy Intelligent Transportation Systems (ITS) in ways that ensure they are fully-integrated and regionally and nationally-compatible in order to maximize their long-term benefits.

Maximizing Flexibility to Shape our Transportation Future

We have taken maximum advantage of the tremendous flexibility ISTEA afforded state and local decisionmakers to use federal funds in ways that best meet their communities' special transportation needs. The Department's NEXTEA proposal goes the next step by including all surface modes. For the first time, states and localities will have the ability to use federal transportation funds to participate in intercity rail and bus projects. I believe Amtrak reauthorization must ultimately be included in NEXTEA in order for the Administration to lead the debate on this central aspect of our transportation future.

Moving from Welfare to Work

Among the barriers faced by those making the transition from welfare rolls to payrolls is access to jobs, training, and support services such as day care. Poverty and federal welfare eligibility rules mean that few welfare recipients own cars, and existing public transit often provides inadequate connections to job and training centers.

Therefore, we propose a six-year, \$600 million program to support flexible, innovative transportation alternatives, such as vanpools, to get people to where the jobs are. This program will be closely coordinated with other assistance that will be provided to states and localities working to meet the special needs of the welfare population.

Since transportation and construction jobs are among America's best-paying, we want to open opportunities in these fields for welfare recipients and other disadvantaged people. We propose to increase incentives for states and localities to provide job training in conjunction with federally-funded technology and construction projects, and to enable them to offer hiring preferences to welfare recipients and residents of Empowerment Zones and Enterprise Communities.

Enhancing our Environment

Air quality has improved steadily in recent years, the result of cleaner cars and other strategies targeted at cutting pollution. In 1990, 140 million people lived in areas that violated the standard for ozone, a smog precursor. Today, only 64 million live in such areas

in spite of increased travel. Continuing that progress in the face of the growing travel generated by a growing population and an expanding economy requires that we strengthen our environmental mitigation efforts.

NEXTEA continues our support of the successful Congestion Mitigation and Air Quality Improvement Program, which targets funds to transit, traffic flow improvements, and alternatives such as ridesharing. It also sustains our commitment to such well-received ~~alternatives (which funds bicycle paths, vegetation planning and~~ other environmentally-friendly projects), Recreational Trails, and Scenic Byways.

Improving Safety and Controlling Health Care Costs

The human cost of transportation deaths and injuries is immeasurable. But accidents are also a huge burden on our economy. Motor vehicle crashes alone cost our economy more than \$150 billion annually, including \$11 billion paid directly by taxpayers for medical care and to make up lost tax revenues.

Improving transportation safety can help to control these costs. The challenge we face is to increase safety even as travel increases. Under NEXTEA, we propose incentives to stem drunk and drugged driving and to reward state and local government efforts to increase safety belt use. In all safety areas, there will be a new emphasis on aggressive, performance-based management focused on results, not process. We not only will provide higher funding but also greater flexibility to shift those funds to programs with the highest safety payoffs.

Revitalizing Communities

As you have said, we must do more "to revive and empower poor urban and rural neighborhoods." Transportation empowers isolated communities by providing access to jobs, markets, education and health care, and by attracting new businesses to locate in disadvantaged areas. We propose to continue the Administration's strong commitment to both urban and rural public transit. In addition, we propose to strengthen the role of urban and rural decisionmakers under the cooperative planning provisions pioneered by ISTEA.

Conclusion

As this summary suggests, transportation touches all aspects of American life. It is about much more than asphalt and concrete: it is about *people*, and about how government can best meet their needs today, and to assure opportunity tomorrow.

ISTEA was a landmark in that it recognized that transportation investment must support other national goals. Our proposal for its successor meets the needs of the American people by refining its programs to meet the challenges of the new century -- challenges to build our economy, improve Americans' safety, preserve our environment, and deliver cost-effective, common sense government.

ISTEA REAUTHORIZATION PROGRAM PROPOSAL

(Dollars in Millions)

	Total ISTEA	Total ISTEA 2
Highway Infrastructure		
National Highway System	21,000	26,534
Interstate Maintenance Program	17,000	26,534
Surface Transportation Program/TE	23,900	34,771
Flexible Highway Infrastructure Safety		3,000
Interstate Transfer	860	
Interstate Construction	7,200	
Minimum Allocation	8,003	3,591
Donor State Bonus	2,832	
Wild Harmsless	6,485	
90% of Payments	1,600	
Wisconsin	30	
Ferry States	100	
Demos	7,261	
NHS Corridors	248	
Bridge Program	16,100	15,874
Cong. Mitigation/Air Quality Impr. Program	6,000	7,800
Interstate Reimbursement	4,000	6,000
Recreational Trails Program	180	42
Scenic Byways Program	80	80
ITS/ATIS Integration Deployment	658	600
FHWA Research & Tech. Programs	87	1,568
Federal Funds	2,600	3,160
Tax Evasion	46	30
Congestion Pricing		84
Bureau of Transportation Statistics	90	186
Emergency Relief Program	600	600
Miscellaneous Trust Funds		42
High Speed Rail	775	
Truman-Hobbs Bridge		102
Woodrow Wilson Memorial Bridge		400
Appalachian Highways		2,190
State Infrastructure Banks		900
Integrated Safety Planning		300
Gateway Border Crossing Pilot Program		270
RSPA Sub. Planning R&D & Intermod. Res.		60
Credit Reform Program		600
Other	45	
Budget Compliance	(2,557)	
FHWA Inflation in 2003*		537
Transit (with Inflation in 2003)		
Formula Capital	19,077	23,933
Discretionary Grants	12,422	5,776
FTA/Other		838
Safety		
Operations and Research (w/ '03 inflation)	465	893
Highway Traffic Safety Grants (no inf in '03)	1,151	1,386
Motor Carrier Safety Assist. Pgm Grants (infl in '03)	537	603
Subtotal ISTEA Programs	156,986	183,282
ADDITIONAL ISTEA PROGRAMS		
TRANSIT (with Inflation in 2003)		
WMATA		250
RAIL (with Inflation in 2003)		
AMTRAK Capital (HA)		1,344
NECIP (HA)		1,206
AMTRAK Operating (HA)		2,073
OTHER AGENCY ROAD PROGRAMS		3,213
Subtotal Additional Programs		8,085
TOTAL BA/CA (less MTF)	156,986	177,336
Total less other agencies	156,986	174,112

Proposed Meeting Agenda

SUMMARY OF KEY POLICY ISSUES ON THE TRANSPORTATION INFRASTRUCTURE CREDIT PROGRAM

February 26, 1997

A. PURPOSE OF THE FEDERAL CREDIT PROGRAM

Key Issue: Develop a Program for assisting large projects of National Significance to address demand from Project Sponsors

1. Promote Changes in Consumer Behavior (Tolling, Congestion Pricing)
2. Induce Majority Private Funding with Minority Federal Investment by filling Market Gaps (Liquidity, Flexibility, Time Horizon)
3. Provide Meaningful "Ground Rules" for an Equitable, Prudent and Effective Program (in lieu of current de facto program)

B. FLEXIBLE PAYMENT LOANS

Key Issue: Balance the Federal Requirement for Minimizing Risk with the Financing Needs of Project Sponsors

1. Parity Claim on Assets in Event of Default
2. Parity Claim on Project Revenues from Years 10-30
3. Parity Claim on Project Revenues with Deferral from years 1-10
4. Loan secured by Rate Covenants and other Features unique to Infrastructure Project Financings

C. CAPITAL RESERVE ACCOUNT

Key Issue: Ensure that Federal Credit does not create a larger Implied Liability on Project Debt

1. Use of Reserve Fund rather than Line of Credit interposes an entity between the Federal Government and the Investors
2. No evidence that Investors/Rating Agencies Perceive an implied Federal Obligation beyond the Explicit Limits of the Federal Participation (TCA, SRF Reserve Funds, WMATA, etc.)
3. Projects that have the ability to repay the Federal Contribution from Project Revenues should do so
4. Projects are too big to fund the Reserve Account with Outright Grants from a Budgetary viewpoint



Jonathan C. Ball

02/27/97 11:37:17 AM



Record Type: Record

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

cc:

Subject: Slater EPW testimony on NEXTEA

Transportation Secretary Rodney Slater yielded few details about the Administration's Intermodal Surface Transportation Efficiency Act (ISTEA) reauthorization proposal in his nearly two hour appearance before the Senate Environment and Public Works Subcommittee on Transportation and Infrastructure yesterday. Slater's testimony, which was interrupted by Senator Harry Ried after about 25 minutes due to its length, focused on the historical significance of transportation in building America. Slater's nondescript answers to committee member questions also seemed to frustrate Senators, but it was clear from the questions that members had been briefed in detail about Administration's draft proposal prior to the hearing.

Slater's testimony revealed that the Administration's \$175 billion six-year reauthorization proposal, dubbed the National Economic Crossroads Transportation Efficiency Act (NEXTEA), would concentrate on three top priorities: safety; meeting the transportation needs of the American people; and efficient government decision making. Senator John Warner, chairman of the subcommittee, was the first of many members to characterize the funding level as inadequate. Mr. Warner, recognizing the Secretary's allegiance to the President and "to a lesser extent, OMB", asked Slater for his personal opinion on whether the Federal government needed to spend more. When Slater's answer reflected commitment to the Administration level, Warner commented "If your hands are tied, we'll take the leadership role."

Members urged the Secretary to work within the Administration on a higher funding level and better allocation formulae before sending the bill to Congress. When asked, Slater suggested that the formal Administration bill would be transmitted within "7 to 10 days."

Specific issues discussed were:

Allocation: Senator Baucus suggested that highway allocations should be based on per-capita gas tax payment, rather than on overall dollar amounts. Chairman Warner and Senator Graham expressed concern over retaining "fudge factor" provisions that would hold states harmless at ISTEA funding levels.

Innovative Finance: When asked about funding for border crossings, environmental initiatives, and the like, Slater pointed to SIBs and the Federal Credit Program as opportunities to address extraordinary needs.

Safety: Senators Baucus and Boxer highlighted the need for revised standards on seat belts and air bags to save children's lives.

State Incentives: Senators Ried and Wyden both suggested that NEXTEA include provisions that motivate states to be proactive and reward them for improving safety, reducing emissions, and investing in infrastructure.

Border Crossings: Senators Boxer, Moynihan, and Inhofe expressed concern that \$45 million for border crossings was insufficient. The Secretary pointed to credit programs as a solution.

Environment: Senator Smith wanted to be sure that funding for brownfields clean-up was not being proposed in NEXTEA. Slater responded that the bill only allows such as it is directly related to transportation activities. Senator Inhofe was concerned about how funding related to air quality was determined. The Secretary responded that NEXTEA uses existing standards, but includes a trigger provision in anticipation of new standards.

Rail: It was clear from numerous questions and statements that many of the committee members oppose the Administration's proposal to fund Amtrak from the Highway Trust Fund without increasing revenues to the trust-fund. Slater responded that Amtrak riders also drive cars and therefore pay gas taxes. Committee Chairman Chafee took a stronger stance, stating that he recalls no compact between gas tax payers and the government that require revenues to be spent on concrete.

Maglev: The Secretary offered an un-prompted commitment to maglev, in the long term, in his oral testimony. Senators Chafee, Moynihan, and Smith echoed a desire for innovation, including maglev funding.

Recreational Trails: Senator Kempthorne expressed dismay that, while funding for both enhancements and scenic byways are increased, rec trail funding is slashed. He pointed to the fact that rec trail users pay gas tax. Slater pointed out that rec trails would be eligible for other funding sources, and committed to working with the Senator on this before transmitting the Administration bill.

Enhancements: Senator Smith, relating a story about the state of Maine's using enhancement money to purchase oyster shell heaps because Native Americans used canoes to create them, stated a desire for a more direct link between enhancements and transportation needs.

Federal Lands: Slater agreed to work with Senator Ried on Federal lands after Ried pointed out that 87% of the land in Nevada is Federally owned.

Transit New Starts: Senator Wyden expressed dismay that while the Administration increased spending on Air Force fighters, the funding for New Starts was cut.

Message Sent To:

Jacob J. Lew/OMB/EOP
Michael Deich/OMB/EOP
Charles E. Kieffer/OMB/EOP
Dorothy Robyn/OPD/EOP
Kenneth L. Schwartz/OMB/EOP
James J. Jukes/OMB/EOP
Charles Konigsberg/OMB/EOP
Rebecca R. Culberson/OMB/EOP
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Daniel M. Tangherlini/OMB/EOP
Ananias Blocker III/WHO/EOP
James A. Brown/OMB/EOP
David E. Tornquist/OMB/EOP
David J. Worzala/OMB/EOP
Diane R. Montgomery/OMB/EOP

We worked closely w/ OMB to develop a plan where we'd protect certain ~~from~~ infrastructure needs while

Q+A

Waller - timing - 7-10 days

VA 8th in taxes (78% law)

funding - what is necessary, recognizing grandfathering to the white House & OMB

Fomula - equity accounts

Confer - Every formula should be based upon needs

Baucus - start fall in funding - Japan TR as a % of GDP

Kerthorne - increased eligibility

funding - enhancements + 180 million + \$30

Secure byways + 70

re trails - 530

Auto Safety

(Rob Alexander) Baker -

Areas impacted by trade

Smith - Enhancement

Antitake input on trust fund

is it fair - Antitake contributes nothing

Morgan - border crossing @ Niagara / Buffalo

Mag Lev

Innovation needed

Reid - giving states incentives for spending own \$

Support my legislation to give more \$

Federal Lands Issue - Discretionary programs

Graham - FOX - Florida Overland Express

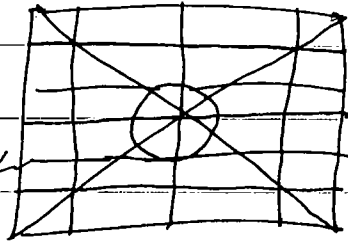
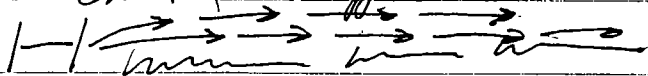
Step 21

Funding allocation

90% apportionment from previous years / no less than 75% of average of DSTE

Dr. Hofe - Clean Air

CMAQ trigger



Whyer = New Starts → reading states for

rounding states for efficiency

→ regulatory reform; no longer punitive good behavior

Bancus $\rightarrow$ Amtrak

Populatr -

Chafee - gas tax should be used for Anti-fur
no Cannett Morgan

answer - B.S. - Technology & Transportation Systems Program
1 million students

1 million students

Wilder - high priority corridors
1-69

1-69

Smith - Bromfield

Warner Fawcett

Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

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Divider Title: _____

Browner Backs Bill To Speed Reuse Of 'Brownfields'

While reasserting the need for comprehensive Superfund reform, EPA Administrator Browner Tuesday endorsed a bill introduced by **Sen. Frank Lautenberg**, D-N.J., to speed up reuse of old Superfund "brownfields" sites.

Speaking at a news conference with Lautenberg and **Senate Environment and Public Works ranking member Max Baucus**, D-Mont., Browner said the legislation builds on initiatives already undertaken by the Clinton administration to speed the return of brownfields to productive use.

Browner agreed with Baucus and Lautenberg that passage of a brownfields bill could pave the way for bipartisan agreement on a broader Superfund bill. Browner said administrative reforms her agency has undertaken on the program have changed the nature of the reforms

needed, but she rejected the claim that the reforms have eliminated the need for a comprehensive bill.

Administrative reforms can go only so far, Browner said, and legislation is needed to address basic flaws in the law. Browner called for more hearings on the current state of the Superfund program, and the writing of bipartisan consensus-based legislation not based on "old horror stories."

A Senate Republican source praised Browner's statement, saying, "This is a very strong statement and one we welcome. We're looking forward to working with them to produce a bipartisan bill." The source said that passing a separate brownfields bill may be problem because brownfields are affected by liability and other issues tied to the larger Superfund program.

"We would love to get a Superfund bill," Lautenberg said — claiming a "very

good chance" of getting a brownfields bill, but adding, "I can't say the same for Superfund." Speaking with reporters, Baucus said he hopes to pass a brownfields bill and expects no major problems. Baucus acknowledged no Republicans have told him they support this approach.

Senate Environment and Public Works Chairman Chafee and **Superfund Subcommittee Chairman Bob Smith**, R-N.H., last week introduced Superfund legislation based in part on discussions they held with Browner last year. The discussions failed to produce a bill, but all sides said they made considerable progress toward agreement.

The administration has declined to comment on the Smith-Chafee bill other than to say that it wants to preserve cleanup liability for large polluters. The bill won wide praise among industry groups and criticism from environmental groups.

Southern Governors Seek Bigger Return On Gas Taxes

The Southern Governors' Association next Tuesday is expected to endorse STEP-21, the Streamlined Transportation

TRANSPORTATION Efficiency Program for the 21st Century, which would guarantee that states receive federal transportation funds equal to at least 95 percent of the federal gasoline taxes those states pay.

Now, under the Intermodal Surface Transportation Efficiency Act, which is up for reauthorization by Congress this year, most Southern states pay more in gas taxes and transportation user fees than they receive back.

Southern governors, who will be in Washington this weekend for the National Governor's Association meeting, plan to lobby Congress vigorously to change the ISTEA formulas to gain them a larger share of the funds, officials said.

As part of that strategy, the SGA is expected to endorse STEP-21 — legislation sponsored by **Senate Environment and Public Works Transportation Subcommittee Chairman John Warner**, R-Va., **Sen. Bob Graham**, D-

Fla., **House Majority Whip DeLay** and **Rep. Gary Condit**, D-Calif.

Under the current law, states are guaranteed a 90 percent return on the gas taxes they pay. But several donor states claim that guarantee has not worked in practice.

SGA policy analyst Thad Hall said 13 Southern states receive less than a 90 percent return on their federal gas taxes, and six of those states receive less than 80 percent. South Carolina, according to the SGA, receives 70 cents back for each \$1 in federal gas taxes its citizens pay.

STEP-21 would change the formulas that determine transportation allocations to each state, and eliminate several of ISTEA's environmental and mass transit mandates for the use of federal transportation funds, giving states more spending flexibility.

Southern states argue the current formulas are outdated and do not reflect large population shifts — and thus increased road usage. A 1995 GAO study pointed out that land mass, postal route mileage and population are ISTEA's three major factors in determining transportation funding.

The Southern states propose that formulas be determined by the number of "lane miles" in each state, vehicle miles travelled and diesel fuel consumption, which indicates truck and heavy equipment "wear and tear" on the roads.

As can be expected, Northeastern and Plain state governors like the current formulas. According to the SGA study, Massachusetts receives \$2.49 cents for each \$1 paid in federal gas taxes; Wyoming receives \$1.51.

The Coalition of Northeastern Governors, which also will meet Tuesday after the NGA meeting, plans to lobby Congress to keep the current ISTEA formulas and policy, including some of the environmental and mass transit mandates opposed by Southern governors.

A CONEG policy statement says, "The Congestion Mitigation Air Quality program [often called CMAQ], bridge and highway maintenance, interstate reimbursement and transit programs are essential elements of a national program which addresses critical national transportation, environmental and economic goals."

703-418-6702

STP

Equity - Drive State Bonds
Hold Funds
90% of Budget
one equity program

Channel #22

Env. - performance measures - maintaining current systems before build new roads

3:30
1-2

exist now for nonattainment

Keep 10% Enhancement Program - bike paths
Set aside (\$300 million) without mitigation

GAO Report

CMAQ

(TEP) Boxer - Border Crossing -
Transportation Environment Program

expand CMAQ beyond clean air - not only
\$1 billion year (det-1570000000)

RS - ① get rid of 10% set aside Enhancement ~~(\$115)~~

② fight New Clean Air Standards - not allow EPA designate areas as nonattainment

NHS -

③ CMAQ - get rid of category - no guarantee eligible for \$ (Warner)
CMAQ \$ - (PM10 added) if part of criteria in new

Don't

④ 10% STP safety set aside - get rid of
10% Enhancement Suballocation to urban areas
Rec Trails - Long Thorne's issue
Scenic Byways - billboard

⑤ Bridge - Warner (get rid of)
\$ based on condition of bridges

410-997-1189
997-1189

65%
by
58
2245

(130/4)

off budget → Lott, Baucus / Domenici

Byrd - 4.3 cents from deficit reduction to trust fund

Baucus - .5 cent mass transit to Amtrak
(Roth) →

ISTEA

- ① Formula - distribution
- ② Amount of \$
- ③ Flexibility - rail, amtrak, freight rail
- ④ Planning - who has control -
- ⑤ Funding ^{incentive} - SIBs, -
- ⑥ ~~ENV~~ Environment -
- ~~ENV~~

ISDEA

Threats

- ① Highway Only
- ② Turn back to states CA/FL/OK
Step 2/Proposal - 60% NH₃ - 10% Blue Front
current law - ~~Blue~~
- ③ Vehicle to undermine Clean Air Act,
CMAQ

ISTERA

224- 7863 Dan Corbett

Bill language -

(PM-10)

(AM 2.5) →

p3 - Attorney
(never has had)

Expansion of two additional transportation control measures
scrapping of pre-1980 vehicle
when
extreme cold start

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _____

_____ Other: _____

_____ FAX RETURN of _____ pages, attached to this response sheet

ISTEA REAUTHORIZATION - Transmission to OMB

On December 23:

FHWA: Part of Title I: NHS, STP, Bridge, Interstate Maintenance, Emergency Relief.

On January 3

FHWA: Part 2 of Title I: CMAQ*, ITS, Cross-Border, Program Delivery provisions, Intermodal Safety Program, DBE, Civil Rights, Variable Pricing, Bicycle/Pedestrian, Tolling Interstates, International, Tax Evasion, Enhancements, Scenic Byways. *

FTA: Title III: all transit formula and discretionary programs including revenue amendments, planning, and access to work.

RSPA: One-call bill

Coast Guard: Boat Safety Account Amendments, Truman-Hobbs Bridges.

FRA: Amtrak and high speed rail

NHTSA: Title II: NHTSA safety program

On January 13

FHWA: Formulas, Innovative Finance (SIBs & Credit Reform), Revenue Title.

NHTSA: Drug testing for young drivers' license applicants.

RSPA: Hazmat Reauthorization, University Transportation Centers & R&D administrative amendments.

12/19/96

* Included in "third installment" circulated 1-13-97.

RESTRICTED DRAFT: DO NOT RELEASE

SEC. ____ CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT
PROGRAM.

(a) ESTABLISHED PROGRAM.--Section 149(a) of title 23, United States Code is amended by striking "ESTABLISHMENT.--The Secretary shall establish" and inserting "The Secretary shall carry out".

(b) ELIGIBLE PROJECTS.--Section 149(b) of such title is revised to read as follows:

"(b) ELIGIBLE PROJECTS.--Except as provided in subsection (c), a State may obligate funds apportioned to it under section 104(b)(2) for the congestion and mitigation and air quality improvement program only for a transportation project or program if the project or program is for an area that was designated as a nonattainment area for ozone, carbon monoxide, or particulate matter (PM-10) under section 107(d) of the Clean Air Act (42 U.S.C. 7407(d)) and was classified pursuant to sections 181(a), 186(a), or 188(a) or (b) of the Clean Air Act (42 U.S.C. 7511(a), 7512(a), or 7513(a) or (b)); and--

"(1)(A) if the Secretary, after consultation with the Administrator of the Environmental Protection Agency, determines, on the basis of information published by the Environmental Protection Agency pursuant to section 108(f)(1)(A) of the Clean Air Act, that the project or program is--

"(i) likely to contribute to the attainment of a national ambient air quality standard in a nonattainment area designated and classified in accordance with this subsection; or

"(ii) likely to reduce emissions for the maintenance of a national

OPTIONAL FORM NO. 10 (7-90)

FAX TRANSMITTAL

of pages = 11

To	Jim Brown	From	Patty Paersch
Dept./Agency	CMIB	Phone #	306-0761
Fax #	395-3109	Fax #	

100-101 GENERAL SERVICES ADMINISTRATION

1 ambient air quality standard in a nonattainment area designated and
2 classified in accordance with this subsection that was later redesignated by
3 the Administrator of the Environmental Protection Agency as an attainment
4 area under section 107(d) of the Clean Air Act (42 U.S.C. 7407(d)) (a
5 "maintenance" area); or

6 "(B) in any case in which such information is not available, if the Secretary,
7 after such consultation, determines that the project or program is part of a
8 program, method, or strategy described in such section;

9 "(2) if the project or program is included in a State implementation plan that has
10 been approved pursuant to the Clean Air Act and the project will have air quality benefits;
11 or

12 "(3) if the Secretary, after consultation with the Administrator of the
13 Environmental Protection Agency, determines that the project is likely to contribute to the
14 attainment of a national ambient air quality standard, whether through reductions in
15 vehicle miles traveled or fuel consumption, through traffic management and control
16 improvements, or through other factors."

17 (c) SINGLE OCCUPANT VEHICLES.--Section 149 of such title is amended--

18 (1) by redesignating subsections (c) and (d) as (d) and (e), respectively; and

19 (2) by inserting the following new subsection:

20 "(e) SINGLE OCCUPANT VEHICLES.--No funds may be provided under this section
21 for a project which will result in the construction of new capacity available to single occupant
22 vehicles unless the project consists of a high occupancy vehicle facility available to single

occupant vehicles only at other than peak travel times."

(d) STATES WITHOUT A NONATTAINMENT AREA.--Section 149(d), as so redesignated, of such title is amended to read as follows:

"(d) STATES WITHOUT A NONATTAINMENT AREA.--If a State does not have, and never has had, within its borders a nonattainment area designated and classified in accordance with subsection (b) of this section, the State may use funds apportioned to it under section 104(b)(2) for any project eligible for assistance under the surface transportation program. If a State does not have within its borders a nonattainment area designated and classified in accordance with subsection (b) of this section, but has had one or more areas that were such nonattainment areas but have been redesignated as attainment within its borders, the State must demonstrate to the Secretary that it has sufficient funding to implement any transportation project or program included in a maintenance plan that has been approved pursuant to the Clean Air Act to maintain the national ambient air quality standards before the State may use funds apportioned to it under section 104(b)(2) for any project eligible for assistance under the surface transportation program."

(e) NONATTAINMENT BOUNDARIES.--Section 149 of such title is amended by adding the following new subsection:

"(f) NONATTAINMENT BOUNDARIES.--For purposes of this section, the boundaries of nonattainment and maintenance areas shall continue to be determined by the Administrator of the Environmental Protection Agency in accordance with sections 181(a), 186(a), or 188(a) or (b) of the Clean Air Act (42 U.S.C. 7511(a), 7512(a), or 7513(a) or (b)), except that such boundaries may be adjusted upon agreement by any affected metropolitan planning organization and

Governor."

2 (f) **FEDERAL SHARE**--Section 120(c) of such title is amended by striking "The" and
3 inserting "Except for projects funded from the sums apportioned under section 104(b)(2) of this
4 title, the".

5 (g) **APPORTIONMENT**--Section 104(b)(2) of such title is amended to read as follows:

6 *[CMAQ apportionment formula language to be drafted with the other formula changes]*

7 (h) **HOLD HARMLESS APPORTIONMENT ADJUSTMENT**--Section 319 of the
8 National Highway System Designation Act of 1995 (109 Stat. 569) is amended by striking
9 subsection (c).

CMAO
12/20/96/15:35pm

RESTRICTED DRAFT: DO NOT RELEASE

Section by Section Analysis

Congestion Mitigation and Air Quality Improvement (CMAQ) Program

Subsection (a) of this section amends subsection 149(a) of title 23, United States Code, to reflect that the congestion mitigation and air quality improvement program provided for under this section has already been established.

Subsection (b):

Areas in Nonattainment as of FY 1994: Subsection (b) strikes the provision in 149(b) that "froze" the nonattainment areas eligible for CMAQ funds as they were during any part of fiscal year 1994.

Expansion to PM-10 Areas: Subsection (b) amends subsection 149(b) to expand CMAQ eligibility to expressly include projects in nonattainment areas for particulate matter (PM-10). FHWA has administratively interpreted subsection 149(b) to include PM-10 projects; this language codifies this eligibility.

Exclusion of Transitional, Submarginal, Not Classified, and Unclassified Areas: Subsection (b) also limits CMAQ eligibility to nonattainment and maintenance areas that were classified as such under the Clean Air Act amendments of 1990, thereby excluding transitional, submarginal, not classified and unclassified areas from CMAQ eligibility. This provision codifies NHS Act conference report language that accompanied amendments made by that act to the CMAQ program.

Expansion to Two Additional Transportation Control Measures: Subsection (b) also expands CMAQ eligibility to include two traffic control measures identified in the 1990 amendments to the Clean Air Act: vehicle scrappage of pre-1980 vehicles and extreme cold start programs.

Clarification of Nonattainment and Maintenance Area Eligibility/Emissions Reductions: Subsection (b) also revises subsection 149(b) to clarify that only projects that make further improvements to current air quality standards are eligible for CMAQ funding in both nonattainment and maintenance areas. In the case of maintenance areas, subsection (b) expressly provides that projects must reduce emissions to be eligible for CMAQ funds.

Traffic Management and Control Projects:

Subsection (b) also consolidates paragraphs 149(b)(3) and (4). In doing so, this subsection also removes paragraph 149(b)(4)'s reference to operating assistance for traffic management and control projects, restoring the general 3-year cap on funding operating assistance, which applies to all other CMAQ projects, to traffic management and control projects.

Subsection (c) simply designates the penultimate sentence of subsection 149(b) as new subsection 149(c), and it redesignates 149(c) and (d) as (d) and (e), respectively. The final sentence of subsection 149(b), which addressed the potential eligibility of PM-10 projects within certain nonattainment areas, is deleted as unnecessary, since PM-10 eligibility has been expressly included (see subsection (b) above).

Current section 149(c) allows States that have never had a nonattainment area for ozone, carbon monoxide, or PM-10 to use CMAQ funds for any project eligible under the surface transportation program. Such areas may also continue to fund CMAQ-eligible projects.

Subsection (d) of this section would require that States without nonattainment areas but with maintenance areas fund first CMAQ-eligible activities in such maintenance areas with their CMAQ funds, unless the State can show that its transportation-related maintenance plan activities are fully funded.

Subsection (e) of this section provides that, for purposes of CMAQ funding, the boundaries of nonattainment and maintenance areas will continue to be determined in accordance with the classification scheme in the 1990 amendments to the Clean Air Act. If the nonattainment boundaries change as a result of new national ambient air quality standards, the MPOs and Governors are given the option of expanding the boundaries for purposes of CMAQ eligibility. However, future apportionments will continue to be made on the basis of the nonattainment boundaries that meet the classification requirements of the 1990 amendments to the Clean Air Act.

Subsection (f) amends subsection 120(c) of title 23, United States Code, to exclude projects funded with CMAQ apportionments from the list of certain safety projects eligible for 100 percent Federal participation. As a result, the standard 80 percent Federal share provision of subsection 120(b) that applies to all other CMAQ projects would apply to these projects as well.

Subsection (g) is a placeholder provision for amending the CMAQ apportionment formula in paragraph 104(b)(2) of title 23, United States Code.

Subsection (h) strikes a provision in the National Highway System Designation Act regarding the calculation of the hold harmless apportionment adjustment in light of the "freeze" on apportionment areas under 23 U.S.C. 149(b). Because subsection (b) of this section deleted this "freeze," subsection (h) strikes this hold harmless language as no longer necessary.

CMAQ
1/10/97//6:45pm

SEC. ____ NATIONAL SCENIC BYWAYS PROGRAM.

(a) IN GENERAL.--Chapter 1, of title 23, United States Code, is amended by adding at the end the following new section:

"§ 163. National Scenic Byways Program

"(a) DESIGNATION OF ROADS.--The Secretary shall carry out a National Scenic Byways Program that recognizes roads having outstanding scenic, historic, cultural, natural, recreational, and archeological qualities by designating them as National Scenic Byways or All-American Roads. The Secretary shall designate roads to be recognized under the National Scenic Byways Program in accordance with criteria developed by the Secretary. To be considered for such designation, a road must be nominated by a State or Federal land management agency and must first be designated as a State scenic byway or, for roads on Federal lands, as a Federal land management agency byway.

"(b) GRANTS AND TECHNICAL ASSISTANCE.--(1) The Secretary shall make grants and provide technical assistance to States to--

"(A) implement projects on highways designated as National Scenic Byways or All-American Roads, or as State scenic byways; and

"(B) to plan, design, and develop a State scenic byways program.

"(2) In making grants, the Secretary shall give priority to

"(A) eligible projects that are associated with highways that have been designated as National Scenic Byways or All-American Roads;

"(B) eligible projects along State-designated scenic byways that are undertaken to make them eligible for designation as National Scenic Byways or

1 All-American Roads; and

2 "(C) eligible projects associated with the development of State scenic

3 byways programs.

4 "(c) ELIGIBLE PROJECTS.--The following are projects that are eligible for Federal
5 assistance under this section:

6 "(1) activities related to planning, design, or development of State scenic byway
7 programs;

8 "(2) development of corridor management plans;

9 "(3) safety improvements to a State scenic byway, to the extent such
10 improvements are necessary to accommodate increased traffic and changes in the types of
11 vehicles using the highway, due to such designation;

12 "(4) construction along a scenic byway of facilities for pedestrians and bicyclists,
13 rest areas, turnouts, highway shoulder improvements, passing lanes, overlooks, and
14 interpretive facilities;

15 "(5) improvements to a scenic byway that will enhance access to an area for the
16 purpose of recreation, including water-related recreation;

17 "(6) protection of historical, archeological, and cultural resources in areas adjacent
18 to scenic byways;

19 "(7) development and provision of tourist information to the public, including
20 interpretive information about scenic byways; and

21 "(8) development and implementation of scenic byways marketing programs.

22 "(d) FEDERAL SHARE.--The Federal share payable on account of any project carried

1 out under this section shall be determined in accordance with section 120(b) of this title, except
2 that, for any scenic byways project along a public road that provides access to or within Federal
3 or Indian lands, a Federal land management agency may use funds authorized for its use as the
4 non-Federal share.

5 "(e) FUNDING.--There shall be available to the Secretary for carrying out this section,
6 out of the Highway Trust Fund (other than the Mass Transit Account), \$15,000,000 for each of
7 fiscal years 1998, 1999, 2000, 2001, and 2002.

8 "(f) LIMITATION.--The Secretary shall not make a grant under this section for any
9 project that would not protect the scenic, historic, recreational, cultural, natural, and
10 archeological integrity of a highway and adjacent areas."

11 (b) CONFORMING AMENDMENT.--The analysis for chapter 1 of such title is amended
12 by adding at the end the following new item"

13 "163. National Scenic Byways Program."

scenic byways
1/1/97/6:45pm

RESTRICTED DRAFT: DO NOT RELEASE

Section by Section Analysis

National Scenic Byways Program

Subsection (a) of this section amends chapter 1 of title 23, United States Code, to add a new section, § 163, codifying the National Scenic Byways Program.

Subsection 163(a) directs the Secretary of Transportation to carry out the National Scenic Byways program and designate roads having outstanding scenic, historic, cultural, natural or archeological qualities as National Scenic Byways or All-American Roads. Criteria for designation have been defined in an FHWA interim policy notice, which was published in the Federal Register in May 1995.

Subsection 163(b) directs the Secretary to make grants and provide technical assistance to the States to implement National Scenic Byways, State scenic byways, and All-American Roads projects and to plan, design, and develop State scenic byways programs. A key aim of providing technical assistance is to educate and increase awareness about the development, management, and operation of scenic byways programs. Paragraph 163(b)(2) lists the priorities that must be given to eligible projects when making grants of scenic byways funds under this section. These are: projects on routes designated as either National Scenic Byways or All-American Roads, projects that would make routes eligible for designation as National Scenic Byways or All-American Roads, and projects that will assist States in developing their State scenic byways programs.

Subsection 163(c) lists the eight categories of projects eligible for scenic byways funding under this section.

Subsection 163(d) provides that the Federal share payable on account of any project under this section shall be determined in accordance with 23 U.S.C. 120(b), except that, for projects on Federal or Indian Lands, a Federal land management agency may contribute the non-Federal share payable on such projects.

Subsection 163(e) authorizes \$15 million for each of fiscal years 1998 through 2002 for carrying out this scenic byways program.

Subsection 163(f) enables the Secretary to authorize scenic byways funds only for projects that protect the scenic, historic, recreational, cultural, natural, and archeological integrity of a highway and adjacent areas.

Subsection (b) of this section makes a conforming amendment to the analysis for chapter 1, adding a reference to this new section.



REGAS_D @ A1
12/06/96 11:45:00 AM

Record Type: Record

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

cc:

Subject: Meeting with Green Groups on ISTE A

Key environmental groups involved with ISTE A are coming in to discuss their ideas for changes in environmental provisions in ISTE A. I also expect that they will present some of their ideas for tying ISTE A to welfare-to-work programs. I hope that you can join us. The meeting is on December 16 at 2:00-3:30 in OE OB Room 213.

Outside folks I expect to attend:

Roy Kienitz from the Surface Transportation Policy Project
Greg Wetstone and Kaid Benfield from the Natural Resources Defense Council
Bill Roberts from the Environmental Defense Fund
and possibly representatives from NWF and Friends of the Earth.

Message Sent To:

David J. Worzala
Barbara Chow
Ananias Blocker III
Linda L. Lance @ OVP
Henry C. Kelly
Michael Deich
MAZUR_M @ A1@CD@LNGTWY
REGAS_D @ A1@CD@LNGTWY
ROBYN_D @ A1@CD@LNGTWY
SEIDMAN_E @ A1@CD@LNGTWY

12/16 1 STEA

PLEASE SIGN IN

Diane REGAS	WH DPC	456-2216
Greg Wetstone	NRDC	289-2409
Roy Kienitz	STPP	939-3478
GAWAIN KRIPKE	FRIENDS OF THE EARTH	783-7400 x212 fax 783-0444
HANK DITTMAR	STPP	939-3474
Diane Montgomery	OWB	395-3834
Michael Repley	Environmental Defense Fund	202/387-3500 tel. 234-6049 fax
Kaid Benfield	NRDC	289-6868 - 289-1060 fax
John Echeverria	Nat'l Audubon Society	861-7742 (42901
Ann Mesnikoff	Sierra Club	675-7902
CRISTIAN SANTOSBAN	CEA	395-1410
Dorothy Robyn	NEC	456-5365 456-2223(F)
Ellen Seidman	DEC	456-5359 456-1605(F)
Elizabeth Cummings	DOT	(ph) 366-4860 (fax) 366-76

DECEMBER 16, 1996

MEMORANDUM FOR JOHN HILLEY

FROM: ANDY BLOCKER

SUBJECT: SURFACE TRANSPORTATION ISSUES

Per your request, the following is summary discussion of the major surface transportation issues which will be considered by the 105th Congress.

ISTEA REAUTHORIZATION

Reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA) will be a focal point for Congressional action on transportation this year. The Administration is currently working to complete its ISTEA proposal in order to submit it to Congress concurrently with our budget. The major areas of contention for this legislation will be the usual formula fight, the overall amount of money authorized, planning and funding flexibility for the states.

The Administration will not likely play a major role in the formula fight or in determining the overall authorization level. Because of budget constraints, our authorization level will be significantly lower than what it will take get a bill passed. In 1991, the authorizers literally "bought" passage of the bill.

On the other hand, the Administration and Congress will be very engaged on the issue of how much planning and funding flexibility to give the states. There are two main areas to this issue.

First, there is the issue of allowing states to choose between the various modes. Currently, States have considerable flexibility to use highway funding for transit. However, freight rail and AMTRAK are not eligible for highway funding. While DOT has proposed giving states flexibility for both freight rail and AMTRAK, OMB only wants to allow flexibility for AMTRAK.

Second, there is the issue of whether or not to continue safety and environmental set-asides. Currently, the Surface Transportation Program (STP) has 10% mandatory set-asides for both safety and enhancements. Also, states receive a separate category of funds for Congestion Mitigation and Air Quality (CMAQ). Some Republican members believe that these set-asides and separate categories for safety and the environment take flexibility away from the states to address these issues in a manner best suited for their area.

The House Transportation and Infrastructure Committee plans to move very quickly with its bill. Chairman Shuster has been a strong proponent of taking transportation trust funds off-budget and he may include this proposal in his initial ISTEA bill.

TRUST FUNDS OFF-BUDGET

Last year, Chairman Shuster finally won House passage of a bill (HR 842) to take the transportation trust funds off-budget. However, the measure was never considered in the Senate. The bill was opposed by the Administration, Senate Environment & Public Works Committee Chairman Chafee and Senate Budget Committee Chairman Domenici.

The four trust funds in question -- highway, mass transit, aviation and harbor and inland waterways -- are financed by gasoline, airplane tickets and cargo and have had sizable cash balances for years. Proponents of taking the trust funds off-budget argue that the trust fund money was collected specifically for transportation projects, not to mask federal deficits or pay for other appropriated programs. Opponents argue that passage of the measure would either increase the deficit or emphasize transportation spending at the expense of education, health and other social services.

One of the major factors this year in the continuing debate on the issue will be how much the cash balances in the trust funds continue to grow. In order to help deflate the growth of the trust funds, OMB and DOT will propose to not only make more programs eligible for trust fund money, i.e., AMTRAK, but they also propose to fund programs normally funded out of the general fund, out of the trust funds instead. The latter is only an accounting trick and will not satisfy proponents of taking trust funds off-budget. Further, even with these proposals, the trust fund balances will continue to grow rapidly.

BUDGET

Currently, OMB has proposed \$135 billion in highway and transit spending for ISTEA over six years. However, DOT asked for \$185 billion in spending for the same programs over six years.

If we increase ISTEA spending, we will need to find sufficient offsets in other programs to maintain our balanced budget. On the other hand, if we underfund ISTEA programs we will significantly increase the balances in the highway and transit trust funds. As noted earlier, this will give proponents of taking trust funds off-budget more ammunition. In addition, many Members have expressed concern that if the Administration proposes too little in this area, our proposal will become irrelevant in the ISTEA debate.

AMTRAK

Our budget proposes to make AMTRAK eligible for Surface Transportation Program (STP) funding. It is unclear which states, if any, will divert funds from highways for this purpose.

Last Congress, after an early failure in the House over offensive labor language, the House passed and the Senate took up authorization legislation moving AMTRAK toward privatization. Senate action stalled because of the objections of Senator Breaux and others regarding liability provisions. This year, a comprehensive plan in the form of authorizing legislation is needed to ensure AMTRAK's long term viability and to lessen its dependence on annual appropriations.

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Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

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Divider Title: _____

Sander —
- Duration
- Formulas
- TSYW

Surface Transportation Reauthorization Proposal



U.S. Department of Transportation

MAKING GOOD ON PRESIDENT'S PLEDGE TO "REBUILD AMERICA"

- OVERALL TRANSPORTATION INVESTMENT UP 22 %
- INVESTMENT IN TRANSIT UP 44 %
- IMPROVED CONDITIONS AND PERFORMANCE
 - o PAVEMENT CONDITIONS IMPROVED
 - o PERCENT OF DEFICIENT BRIDGES REDUCED
- TRANSIT FACILITIES IMPROVED AND AVERAGE SPEEDS UP
- SUCCESSFUL NEW SYSTEMS

ISTEA INNOVATIONS

- UNPRECEDENTED FLEXIBILITY
- SET ASIDE FOR SAFETY CONSTRUCTION ACTIVITIES
- SET ASIDE FOR "TRANSPORTATION ENHANCEMENTS"
- ENVIRONMENTAL PROGRAMS AND PROJECTS -- CMAQ, SCENIC BYWAYS, NATIONAL RECREATIONAL TRAILS,
- FOCUS ON ECONOMIC BENEFITS (NHS) AND PRESERVATION
- INCLUSIVE PLANNING PROCESS
- TECHNOLOGY: ITS, PNGV
- INNOVATIVE FINANCE

OUTREACH PROCESS

- REGIONAL HEARINGS, FOCUS GROUP MEETINGS
- FEDERAL REGISTER NOTICE
- DOT REAUTHORIZATION POLICY STATEMENT AND PRINCIPLES

OUTREACH -- WHAT WE HEARD:

"TUNE IT, DON'T TOSS IT."

- A Midwestern State DOT Secretary

"ISTEA IS A WHOPPING SUCCESS STORY."

-Hudson County (NJ) Executive
Bob Janiszewski

"THE BOTTOM LINE IS THAT ISTEA WORKS -- AND WORKS
WELL." -Mayor, Edward Hansen, Everett, WA

POLICY CHALLENGES REMAIN

- ACCOMMODATE INCREASED TRADE VOLUMES --
INTERNATIONAL AND DOMESTIC.
- STAY COMPETITIVE IN THE GLOBAL MARKETPLACE.
- IMPROVE SAFETY, ENHANCE THE ENVIRONMENT AND
MITIGATE CONGESTION IN THE FACE OF STEADILY
INCREASING TRAVEL.
- RESPOND TO DEMOGRAPHIC TRENDS.
- IMPROVE ACCESS FOR ALL AMERICANS.

OUR PROPOSAL: ADDITIONAL FLEXIBILITY

-- PASSENGER AND FREIGHT RAIL -- ELIGIBLE FOR STP

Q: → who pushes

-- ITS -- ELIGIBLE UNDER ALL MAJOR PROGRAMS

- Is it better to diffuse program?

-- INTERCITY BUS AND RAIL TERMINALS

-- ELIGIBLE IN STP, NHS

-- STREAMLINE TRANSIT PROGRAMS

-- COMBINE SAFETY PROGRAMS - *position of safety groups?*

-- PERFORMANCE PARTNERSHIPS

*mc - could better some get by w/o compliance
by focusing on bad actors
Obstacle concern*

*Central Authority
What are we doing!*

PROPOSAL: FOCUS ON KEY FEDERAL CONCERNS

- INTERSTATE MAINTENANCE
- BRIDGE
- NATIONAL HIGHWAY SYSTEM

PROPOSAL: STRENGTHEN ENVIRONMENTAL ELEMENTS OF ISTEA

- CONTINUE CMAQ, TRANSPORTATION ENHANCEMENTS,
SCENIC BYWAYS AND RECREATIONAL TRAILS.**
- PRESERVE CONFORMITY AND PLANNING LINKAGES**
- INCLUDE BROWNFIELDS RESTORATION**
- USE TECHNOLOGY TO INCREASE CAPACITY**

PROPOSAL: RETOOL SAFETY PROGRAMS

- RECONFIGURE 22 EXISTING SAFETY GRANT PROGRAMS (NHTSA, FHWA AND FRA) INTO THREE MAJOR PROGRAMS
- ENCOURAGE PERFORMANCE BASED MANAGEMENT -- FOCUS ON RESULTS
- SIMPLIFY MOTOR CARRIER SAFETY PROGRAM
- ENCOURAGE INTEGRATED SAFETY PLANNING PROCESS

PROPOSAL: MAINTAIN FOCUS ON INTERNATIONAL TRADE

- CONTINUE COMMITMENT TO NATIONAL HIGHWAY SYSTEM
AND INTERMODAL CONNECTORS**
- USE INNOVATIVE FINANCE TO FUND MAJOR NEW
PROJECTS -- E.G., "TRADE" OR "NAFTA" CORRIDORS**
- ESTABLISH A PILOT BORDER CROSSING PROGRAM**

PROPOSAL: REDOUBLE COMMITMENT TO TECHNOLOGY

- ITS ELIGIBILITY - ALL MAJOR PROGRAM CATEGORIES
- ITS DEPLOYMENT INCENTIVES PROGRAM
- FUND HIGH SPEED GROUND TRANSPORTATION

PROPOSAL: MOVE FORWARD ON INNOVATIVE FINANCING

- PERMIT SIBS TO BE USED FOR PUBLIC AND PRIVATE SURFACE
TRANSPORTATION CAPITAL INVESTMENT**
- CREATE NEW AUTHORITY FOR CREDIT PROGRAM**

- MAINTAIN FEDERAL LEADERSHIP
- BUILD ON ISTEA



TO THE XXI CENTURY

Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

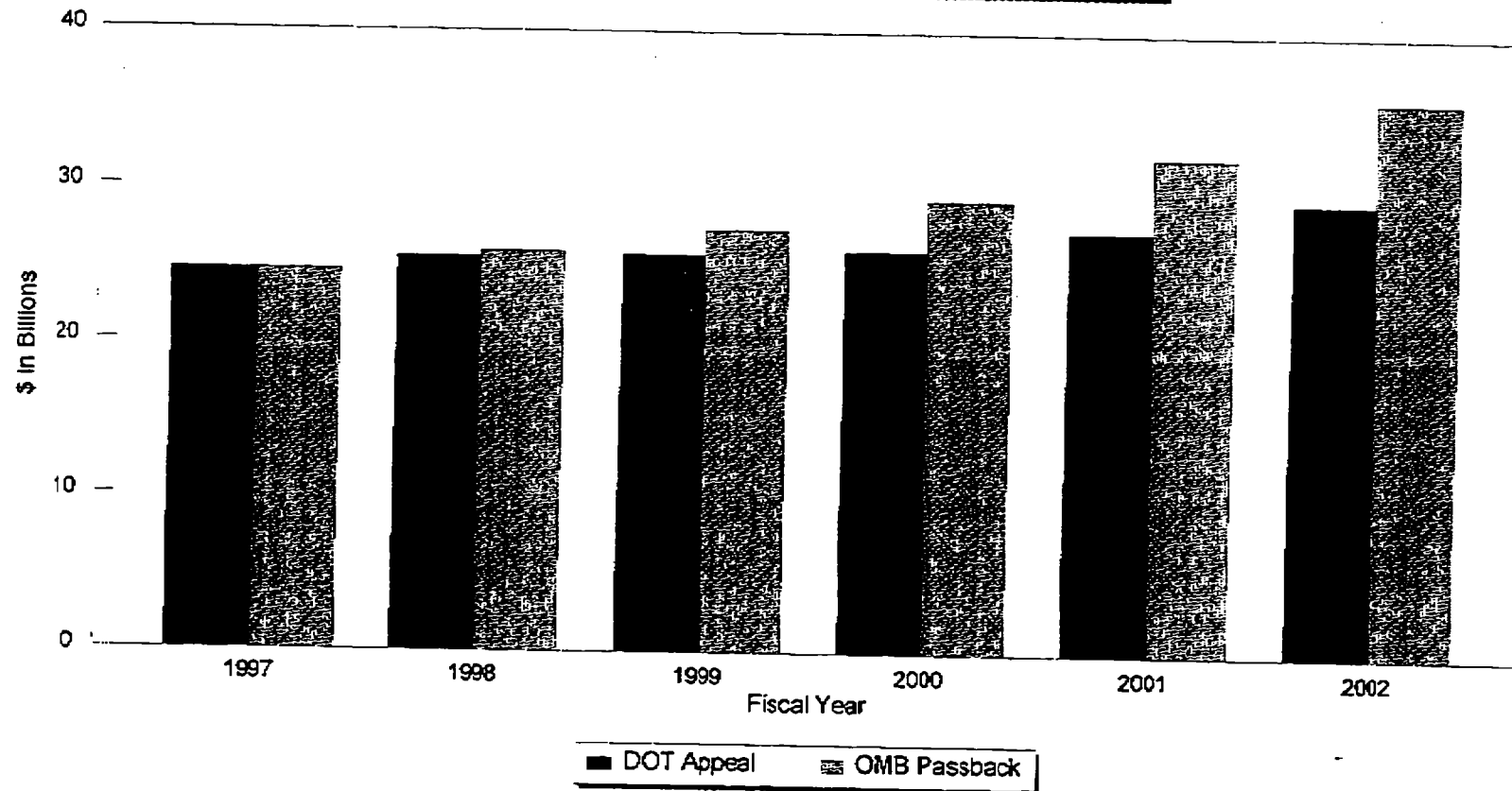
This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

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Divider Title: _____

Highway Trust Fund Balance

OMB Passback and DOT Appeal on Comparable Basis (OMB)



* Comparison using OMB Methodology

	1997	1998	1999	2000	2001	2002
DOT Appeal	24.6	25.5	25.7	26.0	27.3	29.3
OMB Passback	24.6	25.9	27.3	29.3	32.2	35.8

OMB - INTERNAL USE ONLY

FEDERAL-AID *

Surface Transportation Program
Transportation Enhancements
Flexible Hwy. Infrastructure Safety
National Highway System
Interstate Maintenance
Interstate Reimbursement
Bridge
CMAQ
Federal Lands
RSPA Strategic Plan
Congestion Pricing
Recreational Trails
Woodrow Wilson Bridge
Appalachian Highways
Gateway Border Crossing Pilot
BTS
Scenic Byways
Tax Evasion
Administration
Research
Miscellaneous Programs**
Equity/FHWA Error

OTHER FHWA

SIBs
Credit Reform Program
Motor Carrier Grant
Emergency Supplemental

FTA

New Starts
Rail Modernization
Bus
Formula Capital
Transit Operating
WMATA
TP&R
Univ. Trans. Centers
Admin

NHTSA

Other
Operations and Research
Hwy. Traffic Safety Grants
Integrated Safety Planning

6-6220

SURFACE TRANSPORTATION FOR THE 21st CENTURY ISTEA REAUTHORIZATION PROGRAM OPTIONS

Original DOT Request
OPTION 1
MAX SUS.

OPTION 2
MID POINT

OPTION 3
OUTLAYS =
RECEIPTS

Appeals level

HIGHWAY INFRASTRUCTURE

National Highway System	4,800	4,762	4,602
Interstate Maintenance	4,800	4,762	4,502
Surface Transportation Program	7,244	7,264	6,695
Transportation Enhancements	500	496	469
Bridge	3,000	2,976	2,814
Equity	0	0	0
Cong. Mitigation/Air Quality Imp.	1,029	1,021	965
Recreational Trails	15	15	14
Scenic Byways	20	20	19
Metro Planning/Administration	Takedown 1/	Takedown 1/	Takedown 1/
ITS/ITI Integration	200	198	188
FHWA R&T	357	354	335
Fed. Lands	625	620	586
ER	250	100	100
Tax Evasion	5	5	5
Terr. Highways	(48)	0	0
Cong. Pricing	15	15	14
BTS	30	30	28
State Infrastructure Bank	250	150	150
MTF	8	7	7
Credit Reform Program	250	100	100
Gateway Border Crossing Pilot Program	50	50	47
RSPA Strategic Plan'g R&D & Intmod. Res.	35	35	33
Woodrow Wilson Memorial Bridge 3/	67	66	63
Appalachian Highways	200	198	188
Other Agency	500	500	0
Highway Infrastructure Total	24,249	23,743	21,823

TRANSIT INFRASTRUCTURE

New Starts	850	799	799
Formula Capital 2/	4,142	3,822	3,522
WMATA		200	200
Transit Infrastructure Total	4,992	4,821	4,521
Operating Assistance		600	600

RAIL INFRASTRUCTURE

AMTRAK Capital (HA)*	734	734	734
High Speed Rail (HA)	84		
Rail Infrastructure Total	818	734	734

CONSOLIDATED SAFETY

Operations & Research	265	150	160
Hwy. Traffic Safety Grants	368	280	280
Motor Carrier Grant	150	100	100
Flexible Hwy. Infrastructure Safety	500	496	469
Integrated Safety Planning	50	50	47
Consolidated Safety Total (HA)	1,334	1,076	1,046
TOTAL TRUST FUNDED	31,380	30,861	28,612

GENERAL FUND PROGRAMS

Transit Operating Expenses	500	0	0
Amtrak Operating Expenses	355	355	355
NHTSA GF	0	0	0
GENERAL FUND TOTAL	855	355	355

1/ Includes funding for planning and admin. as a takedown from contract authority as now and estimated at \$750 million.

2/ Includes funding for admin, planning, and R&D through takedown.

3/ To replace existing structure of the Woodrow Wilson Bridge; final amount to be determined in ongoing negotiations.

*Includes funding for the Farley building.

U.S. DEPARTMENT OF TRANSPORTATION OFFICE OF GOVERNMENTAL AFFAIRS

Room 10408
400 Seventh Street, S.W.
Washington, D.C. 20590

(202) 366-4563

Date 12/13

From: Steven O. Palmer, Assistant Secretary for
Governmental Affairs

To: Andy Blocher

Fax: 456-2604

Pages: 1 following this cover sheet

Comments: ISTEA Budget #

This fax originated at (202) 366-7346. Please call Nancy Moore
at (202) 366-4573 if there were any problems in transmission.

David E. Tornquist

01/09/97 09:30:51 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Kenneth L. Schwartz/OMB/EOP, David J. Worzala/OMB/EOP, Diane R. Montgomery/OMB/EOP,
Jonathan C. Ball/OMB/EOP
Subject: ISTE A Funding Meeting

The meeting to discuss the allocation of **1998 ISTE A funding is today at 11:00 in Room 231** in the OEOB (the NEC Conference Room). Attending from DOT will be Jack Basso, Deputy Asst. Secretary for Budget and Programs, Janno Lieber, Deputy Asst. Secretary for Policy, and Bev Pheto, Budget Officer. If I have overlooked any EXOP staff with an interest in ISTE A, please forward them this message.

You should each have received a faxed table showing DOT and OMB's proposed allocation of the FHWA obligation limitation. If not, please e-mail or call me (53257). This is meant as a starting point for discussions and does not represent final decisions on OMB's part. Keep in mind that this is a zero sum game, any proposals to increase funds in one area must be offset elsewhere.

I apologize for the rushed nature of this meeting. However, the POTUS made a decision on ISTE A late in the process and DOT was only able to translate this into its proposed suballocations on Tuesday. Nevertheless, the production schedule for the budget requires final decisions preferably today, but no later than early tomorrow.

Below are some issues to consider for the meeting.

Obligations vs. Contract Authority (CA). There are two relevant measures of budgetary resources for FHWA, obligations and contract authority. The ISTE A authorization provides CA to the various FHWA programs for the 6 year term of the bill. The appropriators limit the obligations that can occur under the CA in each year's appropriations bill through an obligation limitation. Therefore, CA exceeds obligations. Generally, States are allocated CA by formula and receive an amount of obligation limitation in proportion to their share of CA. Within broad constraints, the States decide how to apply the obligation limitation against the CA for various programs in each year. That is, a State may choose to use its NHS CA this year but to direct more obligation limitation to STP next year. Finally, the so-called equity programs receive their own CA but the actual spending occurs primarily in the STP program. Therefore, for comparison purposes, they should be added together.

Obligations are more relevant to the annual budget discussion and more closely reflect actual spending. CA is more relevant to the reauthorization bill, which we hope to release shortly after the budget. Both the CA and the obligations are effectively estimates of how states will allocate their spending. The table faxed last night is obligations. A table similar to this will print in the 1998 Budget.

STP vs. NHS and Interstate Maintenance. There are valid arguments in favor of both programs. The NHS and IM programs focus on major roads important to interstate commerce. The DOT ISTE A proposal would include some new flexibility to transfer NHS and IM funds to other programs if certain criteria are met. The STP program is a flexible block grant that allows States flexibility to make transportation decisions among various alternatives, including transit or highway construction.

ITS. DOT proposes a new \$175M grant program to States to get them to deploy ITS technologies in an

integrated fashion as well as a healthy increase in the ITS research program. The deployment program is in addition to making ITS eligible to be funded from other ISTEA funds the State receives such as STP.

RSPA Research This new program is intended to coordinate transportation research both within DOT and with other agencies and provide funds with which RSPA would entice other parts of DOT to improve and better coordinate their research. It is the functional equivalent to the Bureau of Transportation Statistics (BTS) created in ISTEA. BTS was funded at \$5M in its first year and ramped up over the life of ISTEA.

Message Sent To:

ROBYN_D @ A1 @ CD @ LNGTWY
SEIDMAN_E @ A1 @ CD @ LNGTWY
Linda Lance/CEQ/EOP
Ananias Blocker III/WHO/EOP
MAZUR_M @ A1 @ CD @ LNGTWY
HOLSTEIN_E @ A1 @ CD @ LNGTWY
REGAS_D @ A1 @ CD @ LNGTWY
Henry C. Kelly/OSTP/EOP

Turn Back if
Come Back

→ (20) → (30)

18 → (18) →
18 30
(27)

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ISTEA REAUTHORIZATION PROGRAM PROPOSAL
(Dollars in Millions)

	ISTEA 1997	1998	Percent Change	1999	2000	2001	2002	2003
Highway Infrastructure/STP/BTS, etc.								
National Highway System	3,600	4,180	16%	4,105	4,092	4,119	4,119	4,119
Interstate Maintenance Program	2,914	4,180	43%	4,105	4,092	4,119	4,119	4,119
Surface Transportation Program/TE	4,097	5,350	44%	5,217	5,195	5,243	5,243	5,243
¹ Minimum Allocation	3,780	868	-77%	754	652	561	500	498
Bridge Program	2,763	2,677	-3%	2,636	2,629	2,644	2,644	2,644
Cong. Mitigation/Air Quality Impr. Program	1,029	1,300	26%	1,300	1,300	1,300	1,300	1,300
Interstate Reimbursement	2,000	2,000	0%	2,000	2,000	2,000	2,000	2,000
Recreational Trails Program	13	13		13	13	13	13	13
Scenic Byways Program	14	15	7%	15	15	15	15	15
² Metropolitan Planning/Administration	113	175	55%	175	175	175	175	175
ITS/ITI Integration Deployment	113	175		175	175	175	175	175
³ FHWA Research & Tech. Programs	447	525	17%	525	525	525	525	525
Federal Lands	5	5	0%	5	5	5	5	5
Tax Evasion	5	5		5	5	5	5	5
⁴ Territorial Highways	14	14		14	14	14	14	14
⁵ Congestion Pricing	25	31	24%	31	31	31	31	31
Bureau of Transportation Statistics	0	45		45	45	45	45	45
Gateway Border Crossing Pilot Program	0	25		25	25	25	25	25
RSPA Strat. Planning R&D & Intermod. Res.	0	40		180	180	0	0	0
^{3,5} Woodrow Wilson Memorial Bridge	0	17		17	17	17	17	17
Truman-Hobbs Bridge	0	17		17	17	17	17	17
³ Appalachian Highways	182	100	-45%	100	100	100	100	100
Emergency Relief Program	150	150	0%	150	150	150	150	150
³ State Infrastructure Banks	0	100		100	100	100	100	100
Credit Reform Program	8	8	0%	8	8	8	8	8
Miscellaneous Trust Funds	1,294							
Other ISTEA Programs	22,421	22,268	-1%	22,060	22,013	21,934	21,973	21,971
Highway Infrastructure Total								
Transit Infrastructure								
Formula Capital	1,920	3,976	107%	3,976	3,976	3,976	3,976	3,976
Discretionary Grants	2,880	800	-72%	950	1,000	1,000	1,000	1,000
WMATA	0	200		50	0	0	0	0
Transit Infrastructure Total	4,800	4,976	4%	4,976	4,976	4,976	4,976	4,976
FTA/Other	0	133		135	136	138	139	141
Rail								
AMTRAK Capital (HA)*	0	223		223	223	223	223	223
NECIP (HA)	0	200		200	200	200	200	200
AMTRAK Operating (HA)	0	344		292	242	192	142	142
Rail Total	0	767		715	665	615	565	565
Consolidated Safety								
Operations and Research	52	148	185%	148	148	148	148	148
Highway Traffic Safety Grants	188	231	23%	231	231	231	231	231
Motor Carrier Safety Assist. Pgm Grants	90	100	11%	100	100	100	100	100
Flexible Highway Infrastructure Safety	0	500		500	500	500	500	500
Integrated Safety Planning	0	50		50	50	50	50	50
Consolidated Safety Total (HA)	330	1,029	45%	1,029	1,029	1,029	1,029	1,029
⁶ TOTAL TRUST FUNDED BA	27,545	29,167	6%	28,909	28,813	28,686	28,675	28,675

¹ For 1997, includes minimum allocation, hold harmless, additional allocation for Wisconsin, 90 percent of payments adjustment, and donor state bonus.

² Includes funding for planning and administration as a takedown from the contract authority of the core highway programs.

³ For 1997, funded from administrative takedown.

⁴ Takedown from NHS.

⁵ To replace existing structure of the Woodrow Wilson Bridge; final amounts to be determined in ongoing negotiations.

⁶ Total includes funding for GSA Rent (\$2 million in FY 1997-2001; \$1 million in FY 2002-2003) and excludes funding for Miscellaneous Trust Funds.

⁷ Includes funding restoration, ferry boats, university transportation centers, research institutes and ISTEA demos.

⁸ Percentage includes FY98 Highway Safety funding.

NOTE: \$2 billion in Interstate Reimbursement

DISTRIBUTION OF SURFACE TRANSPORTATION FUNDING
(Obligations \$ in millions)

	1997 ENACTED	DOT Proposal	TRB Proposal	Delta
FEDERAL-AID *				
Surface Transportation Program	5,869	4,452	5400	948
Transportation Enhancements	1/	500	500	0
Flexible Hwy. Infrastructure Safety	1/	403	500	97
National Highway System	3,073	3,849	3073	(776)
Interstate Maintenance	2,487	3,849	3849	0
Other Interstate	1,707	0	0	0
Bridge	2,343	2,156	2156	0
Congestion Mitigation/ Air Quality	878	1,047	1047	0
Federal Lands	428	512	407	(105)
Recreational Trails	15	13	7	(6)
Research & Misc.	198	290	245	(45)
Intermodal Transportation Systems	235	344	250	(94)
RSPA Strategic Plan/Intermodal Res.	-	25	5	(20)
Bureau of Transportation Statistics	25	31	31	0
Congestion Pricing	15	14	14	0
Woodrow Wilson Bridge	30	40	40	0
Appalachian Highways	30	200	200	0
Gateway Border Crossing Pilot	-	45	45	0
Scenic Byways	15	15	15	0
Tax Evasion	5	5	5	0
Administration	299	314	314	0
Integrated Safety Planning	NA	50	50	0
Truman Hobbs Bridges	NA	17	17	0
Equity	558	NA	NA	0
Federal-aid Total	18,210	18,170	18,170	(0)
OTHER FHWA				
State Infrastructure Banks	150	150	150	0
Credit Reform Program	0	100	100	0
Motor Carrier Safety Grant	78	100	100	0
Emergency Supplemental	82	0	0	0
OTHER FHWA Total	310	350	350	0
FHWA Discretionary TOTAL	18,520	18,520	18,520	(0)
FHWA Mandatory - New NBR				
Minimum Allocation	744	868	639	(229)

* Program spending in Federal-Aid. State determines final obligation among available CA.