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ISTEA [Intermodal Surface Transportation Efficiency Act] Reauthorization [binder] [2]

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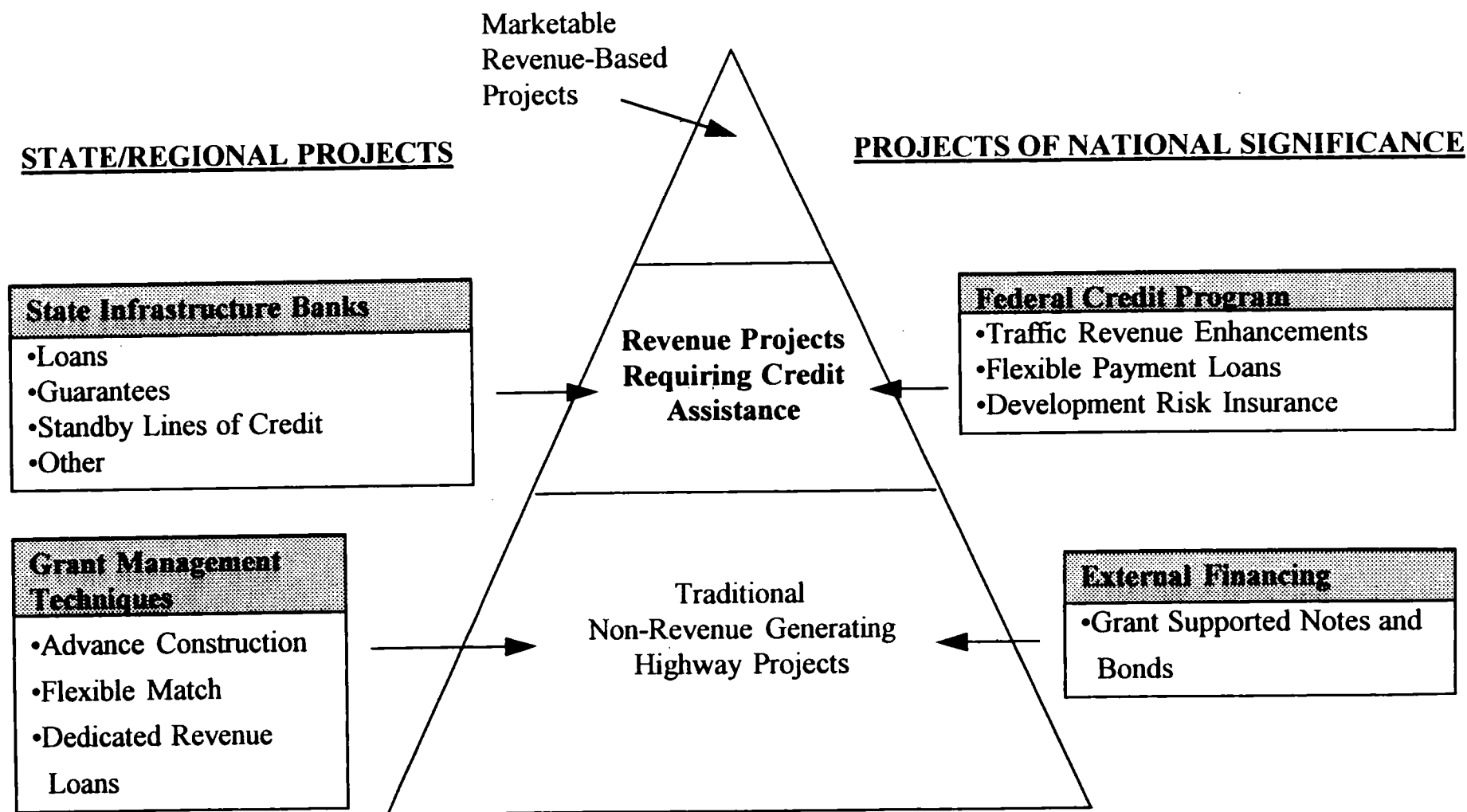
Reauthorization Proposal:

***Outlining a Federal Credit Program
for Surface Transportation***

November 26, 1996

U.S. Department of Transportation

Transportation Infrastructure Financing Mechanisms



I. Credit Program Performance Goals

A. OUTCOME GOALS

Increase Capital Investment in Nation's Transport Infrastructure to promote Economic Growth

Promote a Unified and Interconnected National Transportation System by supporting critical **Intermodal** and other **National Investments**

Improve Resource Allocation by **Correcting Market Deficiencies**

B. REAUTHORIZATION GOALS

Emphasize **State/Local Flexibility** in Allocating Resources and managing Transportation Programs

Foster **Public/Private Partnerships** to facilitate Planning, Financing, Building, and Operating of Facilities

Continue successful **Incremental Approach** for new programs by providing Federal Credit under limited terms as another financing "tool" for State Infrastructure Banks

Restructure existing ad hoc efforts (annual Discretionary Appropriations for TCA Toll Roads, Alameda Corridor) into a **Uniform Credit Assistance Program** for Projects of National Significance which will be equitable and efficient.

C. FISCAL OBJECTIVES

Address Investment Needs in **More Cost-Effective** way than traditional Grants for certain class of Projects (potentially self-sustaining)

Minimize Budgetary Impact by tying Subsidy Costs of Credit to specific Authorizations and to each State's Unobligated Balance

Limit Federal Financial Exposure by capping face value of Credit both in Aggregate and for each State

Leverage substantial Private Co-Investment and Promote efficient Project Selection by limiting Federal participation and establishing other parameters that enforce Market Discipline

D. PROGRAMMATIC OBJECTIVES

1. Attract Private Capital to expand Infrastructure Capital Formation

- Provide source of Secondary and Subordinate Capital for project financings with Independent Revenue Streams
- Act as Co-Investor with Private Investors per Executive Order 12893
- Share Development and Start-up Risks
- Reduce Transactional "Friction" (Capital Costs, Reserve Requirements and Coverage Levels)

2. Fill Market Gaps to complement and encourage Private Capital Investment

- Identify Market "Gaps" and define appropriate Federal Niches involving Flexibility, Investment Horizon, Liquidity, Risk, Uncertainty
- Promote Limited Menu approach

3. Charge Users/Beneficiaries to promote Social Equity and Economic Efficiency

- Provide Credit to Projects Supportable from Independent Revenue Streams
- Draw upon willingness of Users to pay where feasible
- Allow Users to Receive Benefits and Services sooner

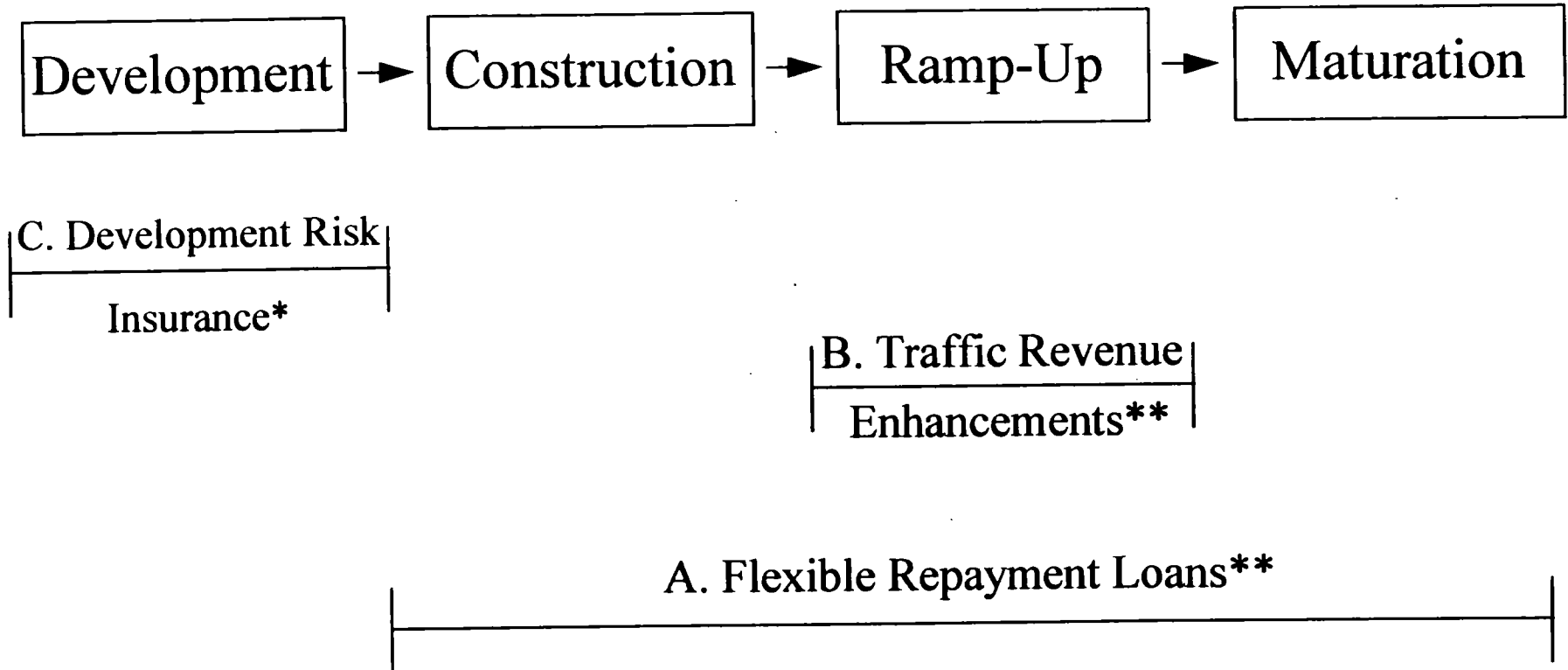
4. Target Projects of National Significance that lend themselves to Credit Assistance

- Support complex, large-scale Projects (too big for States' regular programs)
- Direct resources to areas of critical National Importance (Bi-State Bridges, Trade Corridors, Border Facilities, Intermodal Connections) that otherwise might be delayed or not constructed
- Establish threshold Criteria for Eligibility based on Size and Economic Impact

5. Utilize State Infrastructure Banks (SIBs) to ensure local involvement and "buy-in"

- Employ SIBs as Loan Originators/Servicers
- Provide Federal Credit to SIB in the form of a "Separate Account Loan" linked to a Specific Project to insulate it from SIB's other Credit Risk
- Use Federal Credit as a technique for SIBs to further develop their own Financial Capacity and Lending Expertise

Potential Forms of Federal Credit Assistance in the Project Life Cycle



* Development Risk Insurance will account for 10% of Subsidy Budget Authority

**Flexible Repayment Loans and Traffic Revenue Enhancements together will account for 90% of Subsidy Budget Authority

II. Federal Credit Product Lines

A. FLEXIBLE PAYMENT LOANS

Market Gap: Meeting Capitalization Requirements for National Investments

- Private capital is discouraged by size, complexity, long-term horizon, and uncertain revenue streams of "one-of-a-kind" transportation infrastructure projects
- Project revenues are often weak during early years but grow over time; however, capital markets prefer level debt service structure and demand yield premiums for uneven/irregular payment flows
- Large amounts of bond proceeds must be set aside or project revenues/tolls must be increased to satisfy debt service Reserve Accounts and Coverage Requirements
- Senior debt is more marketable if portion of costs is funded by junior debt, but market for junior debt is extremely limited
- Investors prefer co-investment by government to evidence public support for project
- States/locals often lack sufficient resources or face legal barriers to internally fund long-term debt

Federal Role: Flexible Repayment Loans -- offer long-term permanent financing with Flexible Payment Features to alleviate market concerns and promote efficient use of private capital

- Fill market need for "patient" investor with long-term horizon and no liquidity requirements
- Structure *flexible repayment schedules* with deferrable interest and principal to match realized project revenues
- Improve caliber of senior debt by participating in annual project revenues on *junior lien basis* after senior debt obligations are met (i.e., from "coverage" cash flow)
- Facilitate Project's access to private capital by enhancing senior debt coverage, lowering interest rates, reducing reserve requirements
- Leverage substantial private financing of market-viable investments by limiting Federal credit to 33% of total project costs
- Charge taxable (Treasury) rates on loans to provide incentive for project sponsors to refinance and take out Federal debt
- Secure loans with rate covenants, defined claims on project revenues, limits on issuance of additional debt

B. STANDBY REVENUE ENHANCEMENTS

Market Gap: Overcoming Start-up Revenue Uncertainty

- Toll project financing impeded by investors' inexperience with and skepticism about traffic revenue forecasting, especially during "start-up" period
- Principal revenue source (tolls) uncertain, given established network of competing free highways
- Information on price elasticity of traffic demand is incomplete; uncertainty leads to perceived risk, higher yield premiums, higher tolls, less traffic, more uncertainty...
- Secondary sources of contingent capital beyond reserve funds not readily available

Federal Role: (1) Traffic-Risk Lines of Credit -- alleviate start-up risk/uncertainty by providing Standby Lines of Credit to cover revenue shortfalls during first 10 years of operation

- Enable States/locals/project sponsors to advance toll projects by offering standby lines of credit (LOC) *contingent upon project completion*
- Credit would be available for limited period of time after project completion and could be used for any purpose revenues would have been used for (broadly defined as with TCA)
- Structure LOC with defined terms and maximum amounts--limit total amount of credit to 33% of project costs (construction cost plus capitalized interest), limit annual draws to 50% of projected debt service, limit availability to 10 years
- Flexible repayment (long-term with deferred interest and principal) of any LOC advances on junior lien basis at Treasury rate
- Such credit assistance would enhance debt and could improve ratings
- Fill gap currently not presently covered by private sector (bond insurers, commercial banks); may be transitional Federal niche depending on market maturation

Federal Role: (2) Traffic-Risk Reinsurance -- alleviate start-up risk/uncertainty by providing Standby Reinsurance to cover revenue shortfalls during first 10 years of operation

- Attract participation of Private Bond Insurers by offering Bond Reinsurance (First Loss Insurance) on Start-up Projects
- Credit would be available for limited period of time after project completion to cover revenue shortfalls for debt service
- Structure Reinsurance with defined terms and maximum amounts--limit total amount of credit to 33% of project costs (construction cost plus capitalized interest), limit annual draws to 50% of projected debt service, limit availability to 10 years
- Flexible repayment (long-term with deferred interest and principal) of any Reinsurance advances on junior lien basis at Treasury rate
- Inducement of Bond Insurance will dramatically lower cost of capital; may be transitional Federal niche depending on market maturation
- This option especially may have transit / AMTRAK applications--insuring equipment financing through COPs, lease/purchase

C. DEVELOPMENT RISK INSURANCE

Market Gap: Reducing Risk during Developmental Phase of Projects

- Pre-Construction phase has many uncertainties--Environmental Permitting, Litigation, Local Political Support, Preliminary Engineering, Revenue Feasibility
- Development Phase Costs can exceed \$5 million per Project and take years to recoup
- Venture Capital is problematic; essentially limited to "Strategic" Investors (Constructors, Engineering Firms, Operators) increasingly unwilling or unable to front costs alone due to past problems

Federal Role: Development Risk Insurance -- Insure a portion of Pre-Construction Costs incurred by Selected Project Sponsor to speed project development and attract private financing

- Enforce Market Discipline by requiring Project Sponsor to fund all costs and retain at least 40% Exposure
- Require State to share risk--Federal insurance could cover 40% of Pre-Construction Costs and State could match another 20%
- Charge Insurance Premiums to lower Subsidy Costs
- Could structure as categorical grant program if risk subsidy indeterminant (scored at 100%)
- Expand market activity by increasing number of investments advanced to Construction Stage
- Limit cost and volume of insurance based on size of State's program/Unobligated Balance and per-project maximum
- Restrict to Projects of National Significance--must cost \$100 million or half the amount of State's annual apportionment and must meet other criteria as determined by Secretary
- Allow State to determine if/when to pay, when project fails for eligible reasons other than developer malfeasance--Fed pays when State pays (if no construction within 5 years?)
- Reimbursement will also include share of costs incurred before selection

III. Project Selection, Risk Evaluation, and Credit Servicing

A. PROJECT SELECTION

Size Threshold--Project must cost \$100 million or 50% of State's annual apportionment to qualify for Federal credit

National Significance--Projects meeting size threshold then will be evaluated by USDOT for "National Significance" (economic impact) according to criteria developed by Secretary

Private Co-investment--Project receiving Federal credit must have at least 50% *non-Federal* co-investment that includes significant Private Investment (as determined by Secretary)

Assistance Cap--Federal Credit shall not exceed 33% of project costs (defined by Secretary--construction plus capitalized interest?), and total Federal assistance (including grants) shall not exceed 50% of project costs

State/Local Priority--Project must be on STIP to ensure State/local needs are met

State/Local Submission--Project application may be forwarded by State or other entity (inclusion in STIP is State endorsement)

B. RISK EVALUATION

Background--existing Credit Assessment Methods used by OMB for business and individual loans are not appropriate for Surface Transportation project financings

- Transport capital investments tend to be large, heterogeneous, complex
- OMB historical data inputs used for evaluating relatively uniform portfolios (e.g., student, housing, agricultural, small business loans) are not applicable
- "Risk-Adjusted Yield" technique used for scoring Alameda Corridor (i.e., discounting the Federal loan by the market yield associated with the shadow rating on the project) grossly overstates default risk; market yields are not accurate indicators of actuarial default risk, as demonstrated by enormous success of municipal bond insurance industry

Approach--Transport Scoring Model should be *Market-Based* and calculated by *Independent* third party experts, using *Transparent and Objective Criteria*

- USDOT would *out-source* credit analysis of each Project to Bond Rating Agencies
- USDOT would draw upon methodology used by Rating Agencies to assess strength of bond insurers ("capital reserve" ratios)
- The capital reserve approach is what enables major municipal bond insurers like AMBAC, FGIC and MBIA to obtain Aaa/AAA ratings on their claims-paying ability, for

portfolios consisting of lesser-rated paper

Process--For each Project Loan, the Federal Credit Program would use a three-step analysis:

Step 1. The Project Applicant obtains an opinion letter from one of the Big Three rating agencies (Moody's, Standard & Poors', or Fitch's) giving a preliminary indication of the Project's likely senior debt rating category (e.g. A, BBB, etc.).

Step 2. Based on the rating received, a Capital Reserve Charge is assigned to the Federal Loan which, notwithstanding its junior-lien status, will have the same long-term risk profile as the Project's senior debt due to the flexible payment structure. This capital reserve charge would be expressed as a series of annual anticipated cash flows relating to a particular loan.

Step 3. The cash flows are placed in the OMB Scoring Model and discounted at the relevant Treasury rate to derive a present value subsidy cost.

C. CREDIT SERVICING

State-Level Entity generally will receive credit and service customers/sponsors--operating through State will facilitate planning and coordination

- ***Flexible Payment Loans*** and ***Traffic-Risk Lines of Credit*** will be provided through State Infrastructure Bank (SIB)--State without SIB must create SIB or designate other financing entity
- ***Traffic-Risk Reinsurance*** will be provided through Bond Insurer
- ***Development Risk Insurance*** will be provided through SIB (or State DOT if no SIB)

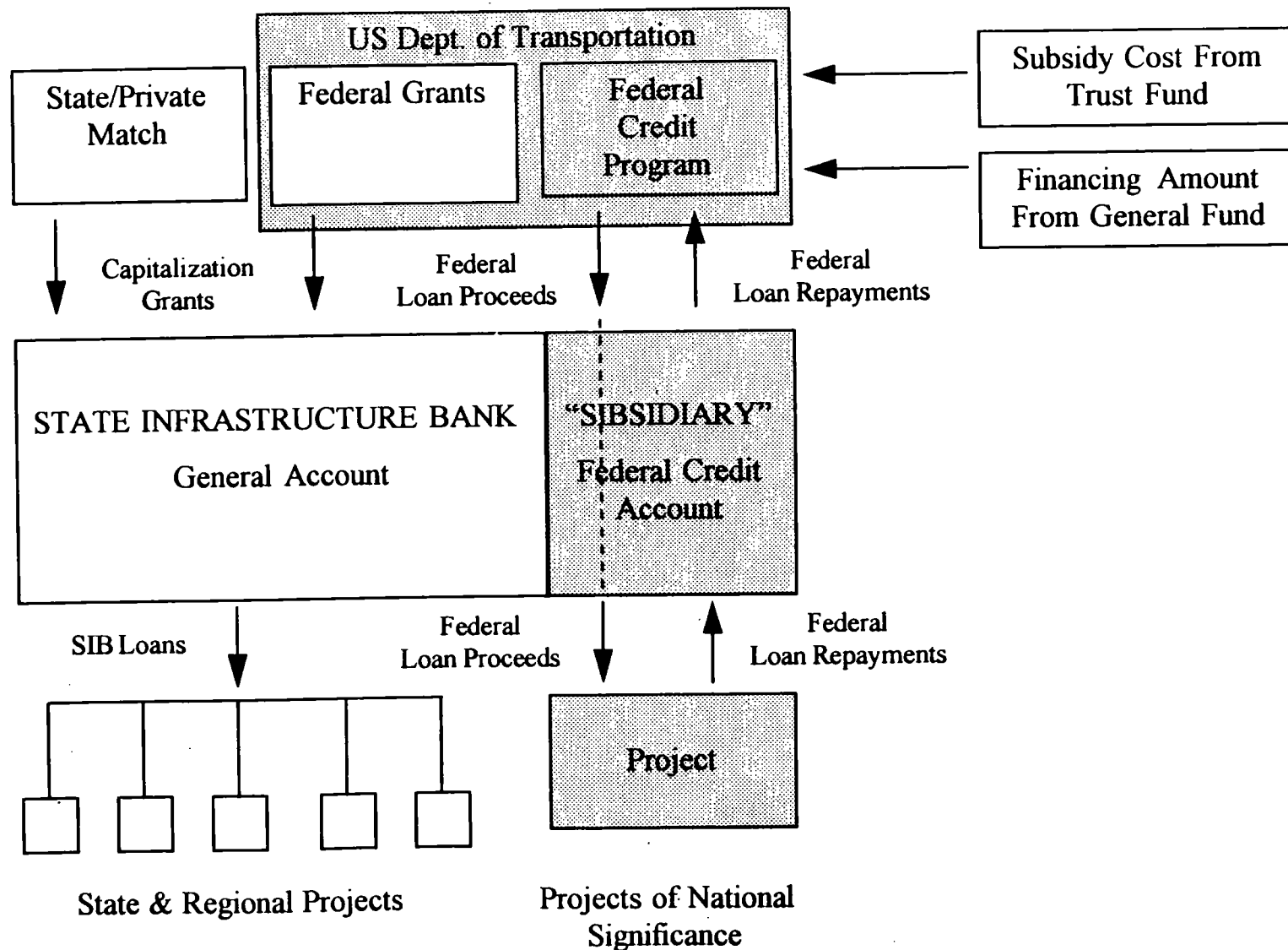
Federal Credit for Specific Projects--subsidy costs still based on project-level assessments

Operate Through SIB to:

- Increase scope, expertise, investor confidence in SIB
- Allow SIB to charge administrative servicing fees on Federal credit customers, thereby increasing capitalization
- Enable SIB to overcome start-up capacity limitations (due to initial small size, lack of portfolio, no credit history) and provide substantial assistance to large projects

Create Separate SIB Account (the "SIBsidiary") to protect Federal credit from default risk of other SIB activities; no co-mingling/cross collateralization with other SIB resources

“PASSTHROUGH” ROLE OF STATE INFRASTRUCTURE BANK IN FEDERAL CREDIT PROGRAM



IV. Credit Program Funding Mechanism

Mandatory Program – Utilizing Existing Contract Authority (Unobligated Balances)

Seek multi-year authorization (use of existing ISTEA contract authority) sufficient to fund Subsidy Costs of large-scale Nationally Significant Projects--average of \$250 million per year (perhaps starting at \$150 million in year 1 and ramping up to \$350 million by year 5 to total \$1.25 billion over 5-year reauth period)

New Mandatory Spending (subject to PAYGO budget rules) funded from HTF and exempt from annual Obligation Limitations

Cap aggregate credit volume--about \$3 billion per year (\$15 billion over 5-year reauth period)

States/locals/sponsors submit choices of Nationally Significant Investments to receive credit assistance to USDOT for evaluation

USDOT (at Secretary's discretion based on certain criteria) determines which applicants get funded out of authorized credit spending--subsidy cost for each project charged to that State's Unobligated Balance of apportioned Contract Authority

Pros:

- Viewed favorably by States as *additional spending that otherwise would not occur*:
 - Allows access to unobligated balances voluntarily; first step in opening that door to additional spending
 - States might support if they have written off any hope of gaining access to balances in future
 - Additional spending not likely for just more grants
 - States that benefit most directly from Federal credit pay for it with apportioned fund balances
- Allows USDOT to have say in allocating resources
- Although it involves additional outlays, it does not require new budget authority
- Mandatory spending does not compete for capped discretionary outlays, does compete with "classic" demos
- Potential earmarking would occur up-front upon authorization rather than annually
- Contract authority provides secure funding known in advance--avoids uncertainty of annual appropriations

Cons:

- Viewed unfavorably by States as *funding capacity that otherwise could be used to provide larger grant program* (\$150 million in first-year credit outlays could otherwise allow additional highway obligation authority of \$1.0 billion assuming 15% first-year outlay rate):
 - Disincentive if States have to use own apportionments for "National" investments
 - If States harbor hope of going "off budget," they won't want to use balances prematurely
- Requires USDOT to establish criteria and manage "discretionary" program--pick winners
- Would crowd out spending on other mandatory programs (MA, ER, demos)
- Appropriators have no say--control of Authorizers

Federal Surface Transportation Credit Program Estimated Budgetary Costs and Credit Amounts

(dollar amounts in millions)

	A	B	C = A * B	D	E = C * D	F	G = E * F	H = C * F	I = (A * F) - H	J = H + I
Proposed Product	Cost of Typical Project	Federal Participation Ratio	Amount of Credit per Project	Average Subsidy Rate per Project	Average Subsidy Cost per project	Number of Projects per Year	Budget Authority (Subsidy Cost) per Year	Face Value of Credit per Year	Non-Federal Investment per Year	Total Capital Investment per Year
Flexible Payment Loans	\$500.0	33.0%	\$165.0	12.5% /2	\$20.6	5	\$103.1	\$825.0	\$1,675.0	\$2,500.0
Traffic Revenue Enhancements	\$500.0	33.0%	\$165.0	12.5% /2	\$12.1	10	\$121.2	\$1,650.0	\$3,350.0	\$5,000.0
NPV of 10-year LOC available after construction: *			\$97.0						\$5,000.0 /4	
Development Risk Insurance	\$5.0 /1	40.0%	\$2.0	50.0% /3	\$1.0	25	\$25.0	\$50.0	\$75.0	\$125.0
Annual Totals						40	\$249.3	\$2,525.0	\$5,100.0	\$7,625.0
5-Year Reauthorization Totals						200	\$1,246.7	\$12,625.0	\$25,500.0	\$38,125.0

Leverage Factors:

Ratio of total Project cost to Face Value of Federal Credit
Ratio of total Project cost to Subsidy Cost of Federal Credit

3.0 :1
30.6 :1

/1 Pre-construction development costs relate to environmental permitting, preliminary engineering, feasibility studies, etc. incurred once a State has selected a preferred consortium to proceed with detailed plans. We assume in this presentation that the Federal government guarantees 40% of the pre-construction costs, the State guarantees another 20%, and the private consortium bears the remaining 40%. The actual construction costs likely would range from \$100 - \$500 million per project.

/2 This represents the likely budget scoring charge—as estimated by Fitch Investors Service—on projects receiving junior lien Federal credit that have senior debt rated "BB" to "BBB" (50/50 weighted average). Projects that have senior debt rated exclusively "BBB" would have a scoring cost of only 5%.

/3 For risk-scoring purposes, we assume that half of all projects in the pre-construction phase fail to proceed to construction.

/4 Since Traffic Revenue Enhancements are standby credit products, the non-Federal investment per project actually equals the total cost of the project.

* Since Traffic Revenue Enhancements are standby credit products available only for a fixed period of time (10-year window) after project construction is complete, the subsidy costs are based on the net present value of those potential draws rather than the nominal face value. The subsidy calculation for this proposed product includes the following assumptions: a \$500 million loan or debt issuance with 30-year term, 6% tax-free interest rate, and \$36 million per year level debt service; a \$165 million standby Federal Traffic Revenue Enhancement available from years 4-13 after a 3-year construction period with annual draws not to exceed 50% of projected debt service, or \$18 million per year; maximum draws occur beginning in year 4 and lasting through year 13 until the \$165 million credit line is exhausted. The scoring charge assumes that the \$165 million draw is repaid at the taxable Treasury rate (7%) by the end of the 30-year term.

V. How the Federal Credit Program Complements Recent USDOT Initiatives (SIBs)

Limitations on SIBs

By definition, the Federal Credit Program is designed to assist "Mega-Projects" (generally greater than \$100 million and of National Significance).

State Infrastructure Banks (SIBs), like other start-up credit intermediaries, are best suited to assist portfolios of smaller, homogenous credits.

Federal Capitalization Grants for SIBs are severely constrained by the budgetary limitation on outlays, reducing SIBs' capacity to fund large loans directly in the near term.

SIBs will require a number of years to build up sufficient Financial Resources to access external funding beyond their own Contributed Capital.

The other, new provisions of the NHS Act have expanded flexibility within ISTEA at the margin, but do not squarely address the Market Gaps associated with financing User-Charge Start-Up Facilities.

The Role of SIBs in the Federal Credit Program

The Federal Credit Program has been designed to enable SIBs to participate in a meaningful way in financing Large Projects of National Significance:

- SIBs will serve as Credit Originators/Servicers, ensuring State/Local "buy-in" and obviating much of the need for direct Federal supervision.
- SIBs will be able to develop their own financial expertise by direct participation in financing the projects receiving Federal Credit.
- SIBs will be allowed to collect an annual Servicing Fee, which could represent a significant source of cash flow to the SIB, given the scale of the Projects under the Federal Credit Program.
- Federal Budgetary Scoring and Financing Authority from the U.S. Treasury enable Federal Credit to leverage a given "subsidy cost" at a substantial multiple, whereas the same amount given as a grant to a SIB has only a 1:1 impact.

As a policy matter, SIBs should be capitalized through Grants rather than Loans (Credit). If the SIB incurred long-term liabilities under the Federal Credit Program, its ability to provide financing on favorable terms to Projects would be inhibited, and its potential for future growth would be diminished. Over time and with prudent fiscal management, SIBs eventually should be able to arrange their own external financing (i.e., incur debt).

INDICATIVE PROJECT CANDIDATES FOR FEDERAL CREDIT

(dollars in millions)

FLEXIBLE PAYMENT LOANS

PROJECT DESCRIPTION	LOCATION	TOTAL COST*
<i>Alameda Corridor</i> (20 mile Rail/Highway Freightway)	Los Angeles/Long Beach, CA	\$1,860
<i>Miami Intermodal Center</i> (Airport, Parking, Highway, Transit, Commuter Rail, High Speed Rail Concession Development)	Miami, FL	\$1,700
<i>Woodrow Wilson Bridge</i> (10 Lane Toll Bridge across Potomac River)	Virginia-Maryland	\$1,700
<i>Midtown-Kennedy Airport Rail Link</i> (Subway extension to JFK using DBOM Concession)	New York, NY	\$800
<i>Port of Seattle Intermodal Facility</i> (Container Terminal Concession)	Seattle, WA	\$300
<i>Farley/Penn Station Project</i> (Renovation of Post Office for Amtrak Terminal)	New York, NY	\$315
TOTAL PROJECTS		\$6,675

STANDBY REVENUE ENHANCEMENTS

PROJECT DESCRIPTION	LOCATION	TOTAL COST*
<i>Tacoma Narrows Bridge</i> (Double Deck Toll Bridge)	Seattle-Tacoma, WA	\$800
<i>Foothills-South Transportation Corridor Agency</i> (Extension of Congestion Reliever Toll Road)	Orange County, CA	\$1,500
<i>SR 125 Motorway</i> (10 mile Toll Road under Calif. AB 680)	San Diego, CA	\$400
<i>SR 91 Extension</i> (10 mile High Occupancy/Toll "HOT" Concession)	Orange County, CA	\$125
<i>I-895 Connector</i> (6 mile Bridge/Connector Toll Road)	Richmond, VA	\$250
<i>James River Motorway</i> (17 mile extension to Powhite Parkway)	Richmond, VA	\$255
<i>Route 1 Toll Road</i> (Toll concession)	Delaware	\$240
<i>Southern Connector</i> (17 mile Toll Road Bypass)	Greenville, SC	\$140
TOTAL PROJECTS		\$3,710

*Federal Share would not exceed 33% of Total Project Costs

Indicative Project Candidates for Federal Credit (cont'd.)

DEVELOPMENT RISK INSURANCE

PROJECT DESCRIPTION	LOCATION	TOTAL COST*
<i>Florida Overland Express</i> (325 mile High Speed Rail Concession)	Miami-Orlando-Tampa, FL	\$ 5,300
<i>Phoenix Motorway System</i> (5 High Occupancy/Toll "HOT" Roads)	Phoenix, AZ	\$2,000
<i>Minnesota Highway 212</i> (Congestion Pricing Toll Road)	Twin Cities, MN	\$195
<i>WSDOT SR 522</i> (10 mile 4 Lane Tollway)	Washington	\$155
<i>Gowanus Tunnel</i> (4 mile Tunnel Tollway)	Brooklyn, NY	\$2500
TOTAL		\$10,150

*Federal Share would not exceed 40% of Development Costs, capped at \$ 5 million per project.

SUMMARY OF MAJOR INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT (ISTEA) REAUTHORIZATION POLICY ASSUMPTIONS

Overall ISTEA Program Funding/Eligibility

The Passback fully-funds the estimated Federal share of the system maintenance requirements of the Interstates, National Highway System (NHS) and transit systems, provides modest funding for capacity enhancement, and provides a proportionately larger increase in funding for the Surface Transportation Program (STP). The STP funding will encourage intermodal decision making and will permit States to meet high priority needs for either highways or transit. The Passback emphasizes the Federal role in transportation safety by providing an increase for safety programs above 1997 enacted levels.

The Passback expands eligibility of the State-managed ISTEA funds and the innovative financing programs to include the National Railroad Passenger Corporation. The Department's request to expand eligibility further, in particular to private transportation companies, is not approved.

ISTEA-related issues not specifically addressed in the Passback will be determined through the inter-agency legislative clearance process. OMB's goal is to have all issues decided in time so the Administration's ISTEA reauthorization bill can be transmitted to Congress along with the President's 1998 Budget.

Federal Highway Administration

Federal-aid Highways -- The Passback provides a total mandatory and discretionary funding level for the Federal Highway Administration of \$18.3 billion. This includes a total obligation limitation of \$17.8 billion, \$250 million for innovative financing programs, \$100 million for Motor Carriers grants, and \$100 million in mandatory funding for Emergency relief programs (described below). The Department's request to eliminate the equity programs is approved. Should the Department reconsider its proposal, any new equity program would be funded within the totals provided.

STP Set-asides -- The Department's request to fund the STP Safety set-aside and Enhancements program as separate programs is approved. The STP safety set-aside is proposed to be funded at a level equal to 10 percent of the STP program, as currently authorized. This reflects the important Federal role in safety programs. The Enhancements program is funded at the request level of \$500 million. In light of the recent U.S. Court of Appeals decision in the Preseault case, Enhancement funds will be eligible to be used to reimburse reversionary property rights owners along rail banked corridors. The Department is requested to develop for the ISTEA reauthorization an arbitration process for reimbursement claims that will speed resolution of claims while minimizing frivolous claims. This might include the principle of "loser pays" for both applications for reimbursements and challenges to those applications. OMB notes that State-managed ISTEA funds are currently used to pay railroads for easements actually owned by reversionary property rights owners. The Department is asked to consider how these funds could be targeted to compensating the owners of these easements. Such a system, if accepted by all

parties, would greatly reduce the expense and animosity related to the current process and allow trails to be created with the support of, rather than over the opposition of, the community.

Highway Demonstration Projects -- The Passback does not limit highway demonstration projects spending through a 50 percent obligation limitation applicable to both appropriated and authorized demonstration projects. Such a proposal would push outlays into the outyears, particularly into 2002.

Bridge Programs -- The Passback includes \$2.2 billion to fund the consolidated bridge program requested by the department. The Passback reflects the Department's proposal to tighten restrictions on the transferability of bridge funds to other programs. In addition, the ISTEA reauthorization will permit highway bridges that are hazards to navigation to be funded out of the bridge program.

Emergency Relief (ER) Program -- The Passback assumes \$100 million in annual funding for the ER program. Tentatively, the Administration plans to propose legislation to consolidate all Federal disaster programs into a government-wide disaster assistance and contingent disaster reserve fund. Any additional ER funds would come from this central fund. The Passback assumes that the ISTEA reauthorization will reflect programmatic changes to tighten ER eligibility and make it more consistent with other Federal disaster assistance programs. These changes include: 1) reducing the eligibility period for 100 percent Federal funding from 180 days to 30 days, 2) reducing the match rate to a flat 75 percent and 3) increasing the minimum threshold for eligibility from \$3,000 to \$6,000.

National Recreational Trails Program -- Consistent with the policy in the 1997 President's Budget, no funding is provided within the Department of Transportation's budget for the Recreational Trails program. The Department is encouraged to find a more appropriate agency to manage and fund this program, if the Department believes the program should be continued. If another home is found, funding for the program can continue to be derived from the Highway Trust Fund.

Federal Lands Highways -- The Federal Lands Highway program is funded at \$381 million as a separate contract authority-funded program starting in 1998. Starting with the 1999 OMB Budget Submission, the Department is requested to provide a list of the individual projects it proposes to fund through this program, the cost of each project, the need for the project, and how each project contributes to the goals set out for the Department in its strategic plan. The Department is asked to coordinate this information request with the land management agencies for which the Department funds and constructs these roads.

State Infrastructure Banks (SIBs)/ Federal Credit Program (FCP)-- The Passback assumes that States will continue to be allowed to use up to 10 percent annually of their obligation limitation to capitalize SIBs. Also, consistent with the 1997 enacted levels, an additional \$150 million from the Highway Trust Fund is provided to further capitalize SIBs. To leverage additional infrastructure investment, the Passback funds the Department's proposed National Federal Credit Program at \$100 million. This new program will address large infrastructure programs of national significance similar to the Alameda project. OMB looks forward to working with the Department

to develop further the authorization for this program. OMB suggests the new credit program be complementary to the SIB program by targeting projects too large to be funded by any one SIB. As previously stated, the eligibility for the SIB and new credit program will reflect current eligibility for SIB funding plus the National Railroad Passenger Corporation.

General Operating Expenses (GOE) -- The Passback provides an GOE level of \$364 million. Downsizing is assumed to continue at half the rate of attrition. The Passback assumes that the LGOE account will become a separate account with its own contract authority and an allocation of the obligation limitation. This account will consist of Administrative Expenses and Miscellaneous Programs. It is assumed that this account will include discretionary funds to meet unanticipated needs. Research, including ITS, will be combined with the existing FHWA research program. The Office of Motor Carriers is funded at \$49 million.

The purpose of separating administrative and research funding from infrastructure funding is to highlight Administrative efforts to restrain overhead costs which permit greater spending on infrastructure. Currently the FHWA receives no credit for these efficiencies as they are lost in the Federal-aid totals. This change also will permit more informed decisions to be made among different proposed uses of the Federal-aid obligation limitation. Under this proposal, FHWA would continue to submit, and OMB would review, a detailed justification for a fixed spending level for the LGOE account. The spending level resulting from this review would become the President's request level.

Research/Intelligent Transportation Systems (ITS) -- The Passback provides \$337 million in contract authority for FHWA Research, including ITS. ITS is funded at \$199 million, which includes \$139 million for Research, Development, and Technical Assistance activities, \$50 million for a new Deployment Incentives Program, and \$10 million for the "Next Generation Internet" initiative. This will allow high priority research to continue and permit the near-term benefits of ITS to be demonstrated. Non-priority areas, including simulator research, transportation centers, and technical assistance were reduced. OMB supports the Department's proposal to expand the eligibility of the State-managed ISTEA programs to more broadly include ITS, so long as controls are provided on the funding of operating expenses. OMB looks forward to working with the Department on this issue. OMB believes that most of the ITS deployment nationwide will be funded through this expanded eligibility, and that the deployment program need only be temporary. The Congressional justification and other materials presented to Congress for the ITS program should be streamlined to articulate a clear program focus. Finally, the total amount available in 1998 to the Department from all sources to be spent on the National Advanced Driving Simulator is \$10 million.

Motor Carrier Safety Grants -- The Passback provides \$100 million for Motor Carrier Safety Grants, an increase of \$22 million over 1997 enacted. The Department's proposal to reauthorize the program on a performance basis similar to NHTSA's section 402 program is approved.

Treasury Accounting Error -- The amounts provided in Passback include an additional \$298 million in 1998 to be distributed to the States who received lower 1997 Federal-aid allocations as a result of Treasury's decision to correct a 1994 accounting error.

Other Programs -- The Department's requested funding levels for the Gateway Border Crossing Pilot Program, Appalachian Highways, Congestion Pricing, and Tax Evasion enforcement are approved. The costs associated with the planning, preliminary engineering and design of the Woodrow Wilson Bridge replacement are funded at the 1997 level in a separate account. The Passback assumes the Federal share of construction costs for the replacement bridge will not exceed the existing bridge's replacement costs, less Federal contributions made to date. This funding level should be reflected in the Congressionally requested financial plan. In addition, the Passback provides \$24 million for the Bureau of Transportation Statistics, including the Office of Airline Information (OAI), to be derived from the Highway Trust Fund. This includes \$270,000 to develop GPRA measures as part of a government-wide effort to develop consistent performance measures for statistical programs. Further details of the GPRA initiative will be discussed at the December 11, 1996, meeting of the ICSP. No funding is provided for the RSPA R&D initiative. The CMAQ program is funded at \$900 million, a modest increase over 1997 enacted levels.

Highway Trust Fund -- Consistent with the request, the Passback proposes to reimburse the General Fund of the U.S. Treasury from the Highway Trust Fund for spending by agencies other than DOT for highway-related purposes. The exact amount of the reimbursement is dependent upon the Passback for all Agencies and, therefore, will be determined after appeals are settled. The Department is asked to provide, along with the appeals letter, the previously requested detailed breakout of the \$500 million included for these programs in the Department's request. In addition, Amtrak is assumed to be funded from the Highway Trust Fund.

Federal Transit Administration

A total of \$4,256 million is provided for the Federal Transit Administration. The Passback level will protect the Federal interest in maintaining system condition and providing low-cost access to mobility, and provide for modest capacity increases, as well as increase program flexibility. All FTA programs would be funded from the Transit Account of the Highway Trust Fund beginning in 1998.

Formula Grants -- The Passback provides \$3,289 million in transit capital and operating funds. The Department's proposal to consolidate discretionary bus, fixed guideway modernization, and formula capital grants is approved. This will allow State, regional, and local decision makers increased flexibility to more efficiently invest transit funding based on local needs. Using similar logic, the Passback provides funding for capital in place of the limited operating assistance currently allocated to large and medium urbanized areas. In small urbanized areas, access to low-cost mobility is protected by removing restrictions on operating expenditures for those areas with populations below 200,000, as is currently the case in rural regions. In addition to providing greater flexibility to transit properties, this approach has the potential to increase the enacted levels of total transit funding given Congress' history of reducing Transit Operating more than Transit Capital accounts.

Full Funding Grant Agreements (FFGAs) -- The Passback includes \$3.8 billion in FY 1998-2003 funds for transit new start projects, including \$634 million in FY 1998. This includes funding for the following existing FFGAs: Atlanta-North Springs, South Boston Piers Phase 1, Denver-Southwest LRT, Houston Regional Bus, Los Angeles-MOS-3, Maryland MARC, New Jersey-Hudson Bergen, New Jersey-Secaucus, Portland-Westside to Hillsboro, St. Louis-St. Clair Extension, Salt Lake City-South LRT, San Juan Tren Urbano, and San Jose-Tasman. The Passback also provides funds for the following new FFGAs: San Francisco-BART Airport Extension and Sacramento LRT extension. Project management oversight funding is included in these amounts. This overall funding level is maintained in each of the outyears. Actual outyear funding requests will be determined during the annual process of formulating the President's Budget. Should the Department wish to issue FFGAs for projects not included in this Passback, an analysis of the benefits and costs of each such project is requested as part of the Department's appeal.

Administrative Expenses -- The Passback provides \$46.7 million for program administration. Funding is not provided for currently vacant positions or information technology other than EGM&M and electronic commerce. Downsizing is assumed to continue at half the rate of attrition. For the 1999 OMB submission, FTA is requested to base its request for administrative and R&D accounts on merit and marginal cost rather than a fixed percentage of the overall program. The request to create a GOE account similar to that in FHWA is not approved.

Other Programs -- Transit Planning & Research is funded at \$80.3 million, with the reduction of \$5.2 million coming from National Planning and Research's New Bus Vehicles and Infrastructure, Transit Service and Management, and New Rail Vehicles and Infrastructure. FTA is requested to consolidate commuter rail safety program with the Federal Railroad Administration's proposed program. University Transportation Centers are funded at the Department's request level of \$6 million and the Washington Metropolitan Transit Authority is funded at the request level of \$200 million. The request to create a new Transit Emergency Relief program is not approved. Such funding will come from the new consolidated disaster assistance account as needed.

National Highway Traffic Safety Administration (NHTSA)

The Passback provides a funding level of \$333 million in budget resources for highway traffic safety programs, an increase of \$32 million, or almost 10%, above FY 1997 enacted. \$133 million is provided for Operations and Research, the FY 1997 enacted level. The Department's proposal to fund Operations and Research entirely from the Highway Trust Fund is approved. \$200 million is provided to fund Section 402, Section 410, and a small occupant protection incentive grant.

Federal Railroad Administration

Grants to the National Railroad Passenger Corporation -- The Passback provides \$740 million for Amtrak. Operations is funded at the 1997 enacted level less one-time costs to encourage

further operating efficiencies. Capital is funded at \$223.5 million, including \$24 million for Penn Station, and NECIP at \$175 million. The proposal to combine capital and NECIP funding into one account is not approved.

As previously stated, Amtrak is proposed to become an eligible expense for the State managed ISTEA programs. This will result in intercity passenger rail requirements being included in overall state and regional surface transportation planning and investment decision making. All direct Amtrak grants, including operating assistance and NECIP, are proposed to be funded from the Highway Trust Fund beginning in 1998.

OMB looks forward to continued work with the department and Amtrak to develop a meaningful long-term financial plan.

Safety -- The Passback provides \$56.6 million for safety, including three new safety positions. No additional funds are included for information technology enhancement. The acquisition of a new automated track inspection vehicle is funded at \$3 million. OMB would like to see the reduced operating and maintenance costs resulting from the Automated Track Inspection Program (ATIP) reflected in future FRA budget requests. The Department's request to reestablish the rail safety user fee is approved and expanded to include costs associated with hazardous materials and hours of operation inspection.

Research and Development -- The Passback provides \$17.8 million for R&D. While OMB supports FRA's rail research and development efforts, significant amounts of R&D are already undertaken by the freight railroads, Europeans, and Asian nations. OMB encourages FRA to work with its contractor to develop a joint investment strategy for improvements to the Transportation Technology Center. FRA also is encouraged to consolidate its commuter rail safety initiatives with programs requested by the Federal Transit Administration. The R&D share of the FRA-wide technology initiative, if undertaken, should be funded from within base resources.

Next Generation High Speed Rail -- Next generation high speed rail is funded at \$16.9 million. This reflects savings associated with one-time 1997 costs, offset by new initiatives included in FRA's initial request. The proposed increase from current services for planning technology is not funded in 1998. FRA's high-speed rail cost benefit analysis demonstrated that few HSR projects provide benefits to the public in excess of the public's costs. Therefore, no funding is provided for HSR development. Passback assumes that the Administration will not propose reauthorization of the Swift High Speed Rail Development Act and that needed research authorizations, if any, will be included in the ISTEA reauthorization bill.

Other Programs -- The Passback provides \$19.5 million for the Office of the Administrator, including funding for one safety-related position. New or expanded information technology programs were not funded. Where necessary, these activities should be funded from the base levels. Downsizing of the non-safety workforce is assumed to continue at half the rate of attrition. Rhode Island Rail Development is funded at the requested level of \$10 million.

THE DEPARTMENT OF TRANSPORTATION'S PROPOSAL FOR REAUTHORIZATION OF FEDERAL SURFACE TRANSPORTATION PROGRAMS

Throughout the history of the Nation, effective and efficient transportation has proven critical to achieving our national goals. In keeping with that history and to prepare us for the 21st Century, we are submitting a proposal for reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). This Administration has the opportunity to take the next bold step in the tradition of the postal roads, railroads, the Interstate program, creation of a mass transit program, the National Highway System, and integrating transportation resources. This is a major opportunity to influence the future course of surface transportation and to advance Administration priorities that include:

- mobility of people and goods,
- a healthy economy that is competitive in international markets,
- the safety of Americans traveling on our highways and transit systems,
- technology through development of Intelligent Transportation Systems and High-Speed Rail,
- welfare reform because transportation is critical in providing access to jobs and training,
- job creation and support in the local communities where they are needed, and
- environmental protection and enhancement through extension of successful environmental programs.

How the Proposal was Formulated:

The Department conducted extensive outreach, including regional seminars and numerous modal focus group meetings, as well as seeking public comments. All these efforts helped us understand the strengths and shortcomings of the current program and to make adjustments to better serve the Nation. The near unanimous message has been: Build on the strengths of ISTEA, which is legislation that began dynamic change. Our prior unsuccessful experience with Unified Transportation Infrastructure Improvement Program (UTIIP), a major departure from current policy and practice, suggests this is the right course of action.

ISTEA outreach highlighted the need to ensure that the economy is well served by our surface transportation system, improve safety, enhance the environment, promote innovative finance, and encourage the adoption of new technologies. It also focused attention on the importance of intermodal connections, the benefits of flexible programs and of ISTEA's enhanced planning and public participation requirements.

The four major themes we heard in outreach were:

- support domestic economic development and strengthen our ability to compete effectively in international markets,
- maximize system performance and return on investments,
- foster partnerships at all levels of government and with the private sector, and provide sufficient flexibility to allow decisionmakers to make the best choices, and
- focus on outcomes for people and communities, particularly improved safety, enhanced environment and a better quality of life.

How the Proposal Responds to Those Themes:

The changes we are proposing in the reauthorization of the surface transportation programs are discussed in these four broad themes that address Administration initiatives. While we are proposing that many of the core programs remain the same, we also are proposing additional program flexibility, significant program restructuring and streamlining, and the creation of selected new programs targeted toward emerging needs.

● Economic development and global competition

The Nation's infrastructure is critical for a healthy economy. Transportation infrastructure affects the cost of moving people and goods and, therefore, the price of our goods in this country and our competitiveness abroad. A recent study found that, for a \$1 million increase in the stock of the non-local highway network, an average annual production cost savings across all industries of at least \$240,000 was achieved. This is an average over the period 1950-1989. Increases in highway stock in the later years continued to produce (albeit smaller) cost savings. When our investment is maintaining the stock we have previously built – the use to which more than 60 percent of Federal highway funds is put – we are ensuring that the annual production cost savings already achieved are maintained as well.

Comprehensive studies document the fact that investment must increase if we wish to maintain the condition and performance of our surface transportation system and protect the efficiencies we have achieved.

To meet these goals, we propose to:

- Retain the Interstate maintenance program and make transfer of these funds conditional upon adequate maintenance of the Interstate System. This will preserve the major investment this Nation has made in that System and recognizes the critical economic role of the Interstate System.
- Retain the National Highway System (NHS) and transferability of NHS funds, but require States to document the impact of a transfer on the NHS. We also propose to expand eligibility for terminals at intermodal connections, which will move us in the direction of developing a National Transportation System (NTS).
- Tighten transferability of bridge funds to ensure that work is done to improve and repair the Nation's bridges.
- Establish a new border crossing pilot program and create border crossing and trade corridor planning programs to facilitate domestic and international trade.
- Retain the Surface Transportation Program (STP) and expand eligibilities to support mobility for people and goods that is critical to economic viability and international competitiveness in our urban centers and rural areas.
- Provide capital funding for AMTRAK and expand NHS and STP eligibility to include rail passenger capital under certain circumstances.
- Provide funding to selectively support efforts to install high-speed rail infrastructure.
- Restructure transit programs and increase funding to make it easier for metropolitan areas to select transit options that improve mobility in those areas, which is vital to maintaining them as viable commercial centers.

- **Maximize system performance and return on investments**

President Clinton emphasized the need to maximize performance of existing infrastructure and the return on investment with new projects in his Executive Order, "Principles for Federal Infrastructure Investments." The Department has strived to implement that Order, and this reauthorization proposal continues that effort. Part of our effort to achieve this goal must be to invest in technology that will improve the performance of our transportation system nationwide. We also must take full advantage of capital that can be created in both the public and private sector. Due to the commitment to reinventing government of the Clinton Administration, we have been supported in moving creatively to dramatically expand capital investment for

transportation projects, including Innovative Finance programs and establishing State Infrastructure Banks. This reauthorization proposal extends innovation substantively and financially.

We propose to:

- Establish a new systems integration incentive program for Intelligent Transportation Systems (ITS) that promises to improve transportation system performance nationwide. Clarify broad ITS eligibility for all mainstream programs such as NHS, STP, and transit.
- Expand our innovative finance program to:
 - allow State Infrastructure Banks (SIBs) in all States,
 - establish a new credit program to expand opportunities for attracting public and private capital, and
 - permit financing under SIBs and the credit program to be used on all surface transportation capital investment -- both public and private -- including intercity passenger and freight rail investment.
- Encourage use of performance management by States, particularly in the safety area.
- Continue a small incentive program for congestion pricing to improve system performance -- i.e., efficiency -- without adding new capacity.
- Strengthen research and development (R&D) and place increased emphasis on technology deployment and intermodal and multi-modal transportation R&D. Institutionalize an R&D strategic planning process.

- **Foster partnerships and provide flexibility for decisionmakers**

To ensure best use of resources, we need to give officials in city hall and in the state capitals the flexibility they need to make the best choices for the American public.

We propose to:

- Improve and strengthen MPOs:
 - require MPOs and States to provide an opportunity for reviewing MPO institutional structure and representation to reaffirm validity of the current

arrangement or to change the representation. Reduce the threshold for MPO redesignation.

- require partners in the planning process to establish a process for distributing STP attributable funds that gives "fair and equitable" treatment to central cities over 200,000 population.
- ensure that urban areas get their appropriate share of obligation authority on a timely basis.
- Strengthen the involvement of rural communities in the planning and programming of Federal transportation funds by requiring that States devote a portion of their Federal planning funds to the support and improvement of local rural transportation planning.
- Merge FHWA and FTA planning and streamline the State and local planning requirements by grouping the factors into major categories.
- Expand eligible uses of the major programs, including NHS, STP, and transit programs, to include eligibility for ITS, for passenger rail, and for private transportation (under established criteria) to give State and local officials more flexibility to make wise choices.
- **Focus on outcomes for people and communities -- improved safety, enhanced environment, and a better quality of life**

Good and reliable transportation is a critical factor in ensuring access to jobs, health care, education, and in making possible the social contacts that make communities livable and contribute to our quality of life.

Transportation safety improvements are critical to the health of our people and to achieving substantial savings in Medicare, Medicaid, and taxes for every household in America. Transportation crashes result in costly injuries, productivity losses, lost travel time, and increased congestion, placing a huge burden on our economy -- over \$150 billion annually. The bill for motor vehicle crashes funded by public revenue cost taxpayers \$13.8 billion in 1994, the equivalent of \$144 in added taxes for each household. Reversing this trend, particularly with continued, steady increases in travel, will be a challenge requiring Federal leadership.

We propose to:

- Reconfigure existing NHTSA, FHWA, and FRA safety grant programs into three major safety programs -- (1) Consolidated State Highway Safety Program, (2)

Restructured Motor Carrier Grant Program, (3) Flexible Highway Infrastructure Safety Program (in lieu of the current 10 percent set-aside from the STP) -- and encourage integrated safety planning. These more flexible grants would increase the ability of safety officials to allocate funds to areas of highest priority and payoff. It will also encourage performance-based management and a focus on results -- a reduction in transportation injuries and deaths.

Under the Consolidated State Highway Safety Program, for example, there would be three incentive grant programs to encourage States to develop stronger laws and programs addressing: drunk and drugged drivers, improved safety belt and child seat use, and State safety data collection to improve program effectiveness.

- Expand Trust Fund support to DOT's surface vehicle safety programs, research and technology, consumer information, and safety data, and continue support to behavioral safety programs, including research, demonstration and technical assistance.
- Retain the current Congestion Mitigation and Air Quality (CMAQ) program (but consider changes if the standards are changed).
- Consolidate and continue transit programs.
- Continue funding for the Transportation Enhancements program and ensure that projects are linked closely to transportation purposes. Continue the Scenic Byways and Recreational Trails programs.
- Retain highway beautification and funding eligibility for projects to improve accessibility for disabled travelers, and emphasize community development and livability.

Flexible, creative surface transportation programs will allow State and local officials to tailor transportation to meet changing and challenging demands. As we face the 21st Century, we must craft an aggressive, forward-looking transportation program -- one that responds to a variety of needs and challenges. If we are successful, we have the potential to improve economic opportunity and security and a better quality of life for all Americans.

A detailed description of the proposed program structure follows. It includes a table that shows the proposed new program structure, a discussion of the current eligibilities and flexibility for each of the major program categories and proposed changes in those eligibilities and flexibility.

ISTEA REAUTHORIZATION PROGRAM STRUCTURE PROPOSAL

Infrastructure Programs ^①	Environmental Programs	Safety Programs	Planning, Research, Technology	Special Programs
STP Equity NHS IMR Disc IM Bridge Form + Bridge Discr. + Timber Bridges FTA S.5309 New Starts FTA S.5309 Rail Mod + FTA S.5309 Bus Formula + FTA S.5307 Capital & Operating FTA S.5311 Rural Transit FTA S.5310 Elderly & Disabled <i>Amtrak Capital</i> <i>New SIB Program</i> <i>New Federal Credit Program</i> <i>New Border Crossing Pilot</i> <i>High-speed rail</i>	CMAQ Enhancements Rec Trails Scenic Byways	10% STP safety set aside NHTSA/FHWA 3.402 NHTSA 3.410 MCSAP High Spd Rail Corr Safety <i>New infrastructure safety program (in lieu of STP safety set aside)</i> <i>New NHTSA 402/ incentives program</i> <i>New MCSAP</i>	FHWA State Plng & Research + FTA State Plng & Research FHWA Metropolitan Planning + FTA Transit Planning & Research Contract Research Programs Administered by FHWA, FTA, FRA, NHTSA, and RSPA BTS HSGT ITS R&D <i>New ITS Incentives Deployment Program</i> <i>New Border Crossing Planning Program</i> <i>New Trade Corridors Planning Program</i>	Demos Federal Lands ER High Prior. NHS Corridors Ferryboats Tax Evasion Territorial Hwys Congestion Pricing Woodrow Wilson Br. Appalachian Hwys.

Note: Programs in *italics* are possible new categorical programs.

① In addition to Infrastructure programs, this column also includes transit operating assistance.

ISTEA REAUTHORIZATION PROGRAM STRUCTURE

PROPOSED CHANGES IN ELIGIBILITIES AND FLEXIBILITY

This summarizes some of the key concepts for changes in eligibility and flexibility that would go hand-in-hand with a new program structure. These changes would both provide more flexibility to state and local governments, and accommodate and advance key goals and values, particularly intermodalism.

I. Interstate Maintenance (IM) -- Current ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o May be used for capital projects on the Interstate System -- projects to rehabilitate, restore, and resurface the Interstate. Reconstruction of bridges, interchanges and over crossings along existing Interstate routes eligible.
- o Capacity expanding projects not eligible except for HOV and auxiliary lanes (e.g., truck passing lanes).
- o 20% of IM funds can be transferred to NHS or STP at state discretion. Up to 100% can be transferred if DOT agrees to state certification that it is adequately maintaining the Interstate System.

IM -- Changes:

- o Retain as separate program, with existing eligibilities, but tighten transferability by making all transfers conditional upon adequate maintenance of Interstate System pavement and bridges.

II. NHS -- Current ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o May be used on designated NHS routes -- only 4% of highways -- and highway access roads for 1,399 selected intermodal terminals.
- o May be used for capital expenses and for "preventive maintenance," as well as for traffic operations on designated NHS routes, but not for routine maintenance, or for overhead/administrative expenses unless related to a specific project.
- o A state may transfer up to 50% of its NHS funds to the STP without Federal approval.
- o A state may transfer up to 100% of its NHS funds to the STP if approved by the Secretary of Transportation as being in the public interest.
- o May be used for safety improvements to rail-highway grade crossings on NHS routes and NHS intermodal terminal access.
- o A state may use NHS funds on a non-NHS facility (roads and transit) if the facility is in the same corridor as a fully-access controlled NHS route, if it is in proximity to the NHS route, if the improvements will improve the level of service on the fully access controlled highway and improve regional travel; and if the improvements are more cost effective than an improvement to the fully access controlled NHS route.

NHS -- Changes:

- o Allow NHS funds to be used on publicly owned intercity passenger rail capital improvements on the same basis as now allowed for non-NHS highways and transit facilities (see conditions listed above).
- o For selected NHS intermodal connectors, allow NHS funds to be used for construction or capital improvement in publicly owned rail connections.
- o For selected NHS intermodal connectors, allow NHS funds to be used on publicly owned intercity bus and rail terminals.
- o Ensure that capital, operations, and maintenance costs for all infrastructure-based ITS technology and services are fully eligible. (In general, equipment installed by a public sector agency on a public transportation facility or on a publicly owned vehicle to support one of the thirty ITS user services would be eligible for Federal funding, as long as the deployment is consistent with the National ITS Architecture and applicable national standards as they are developed. Public sector agency costs associated with delivering the service and maintaining the equipment would also be eligible. Consumer products, equipment installed on private facilities or vehicles would generally not be eligible unless there is a demonstrated public benefit -- e.g., for private transit vehicles and for positive train control software and other intelligent technology for railroads operating on lines with commuter rail service.
- o Continue NHS transferability provisions, but require states to provide a written statement justifying the transfer of any funds from the NHS and documenting the impact of the transfer on the performance of the NHS -- including physical conditions, operational performance, and safety performance.

III. STP -- Current ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o May be used on improvements to only 25% of highways and bridges (except bridges and safety improvement projects are not restricted to only Federal-aid roads) and 100% of transit systems in the United States.
- o May be used for capital, "preventive maintenance," and traffic operations, but not for transit operations.
- o May also be used on highway and transit safety improvements and programs, including rail-highway grade crossings.
- o May be used on "Transportation Enhancements" -- including bikeways and pedestrian facilities, historic preservation of railroad stations and canals, and preservation of abandoned railway corridors, among others. (NOTE: ALL STP program funds may be used for enhancements, not just the 10% set-aside for enhancements.)
- o May be used for highway and transit R&D and tech transfer, and surface transportation planning programs generally.
- o May be used on wide range of ITS capital, for highways and transit, and for ITS preventive maintenance and ITS operations.

STP -- Changes:

- o In general, recast STP as a flexible, multimodal program which states and MPOs may use on any surface transportation infrastructure project (except local streets and roads not now eligible, and bicycle/pedestrian projects, which would be limited to existing eligibilities on the Federal aid system) regardless of mode, private as well as public, which improves efficiency, safety, or capacity.
- o Projects would be for investment in infrastructure only, except that (a) current STP eligibilities would be retained for public transit vehicles, transportation enhancements, traffic operations, and preventive maintenance; (b) non-infrastructure safety improvements could be permitted (e.g., driver behavior and safety enforcement programs); and (c) new eligibility would be provided for publicly owned rail passenger vehicles and local rail freight assistance (details to be worked out).
- o States and localities could use STP funds on privately owned infrastructure if one of the following two criteria is met: (a) the infrastructure is used by more than one competitive carrier; or (b) the infrastructure is under the satisfactory continuous control of a public entity (this parallels an existing FTA provision).
- o Retain existing sub-state distribution requirements, including those for urbanized areas over 200,000 population, and the special rule for areas of less than 5,000 population.
- o Ensure that capital, operations, and maintenance costs for all infrastructure-based ITS technology and services are fully eligible. In general, equipment installed by a public sector agency on a public transportation facility or on a publicly owned vehicle to support one of the thirty ITS user services would be eligible for Federal funding, as long as the deployment is consistent with the National ITS Architecture and applicable national standards as they are developed. Public sector agency costs associated with delivering the service and maintaining the equipment would also be eligible. Consumer products, equipment installed on private facilities or vehicles would generally not be eligible unless there is a demonstrated public benefit – e.g., for private transit vehicles and for positive train control software and other intelligent technology for railroads operating on lines with commuter rail service.

IV. STP Enhancements Program Set-Aside -- Current ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o ISTEA defines the following 10 areas as Enhancements: “facilities for pedestrians and bicycles, acquisition of scenic easements and scenic or historic sites, scenic or historic highway programs, landscaping and other scenic beautification, historic preservation, rehabilitation and operation of historic transportation buildings, structures or facilities (including historic railroad facilities and canals), preservation of abandoned railway corridors (including the conversion and use thereof for pedestrian or bicycle trails), control and removal of outdoor advertising, archaeological planning and research, and mitigation of water pollution due to highway runoff.”
- o No transferability to other purposes permitted.

Enhancements -- Changes:

- o Consider expanding eligibilities somewhat to encompass other worthy environmental activities, while also clarifying that Enhancement projects must have some nexus with the transportation system.

V. CMAQ -- Current ISTEA Provisions Relating to

Eligibility/Flexibility/Transferability:

- o CMAQ is the most flexible ISTEA program, both legislatively and in actual practice. CMAQ may be used for ANY SURFACE TRANSPORTATION IMPROVEMENT that will help a nonattainment area reach attainment status, including transit, highway, ferry, rail freight, and intercity rail passenger improvements, both capital and operations. Through guidance, DOT has limited the use of CMAQ for operations, however, to ensure that it does not merely substitute for existing operating expenses.
- o CMAQ may be used for privately owned or operated ventures, as long as (a) it is normally a public sector responsibility; (b) private ownership or operation is shown to be cost effective, and c) the state is responsible for protecting the public interest and public investment.

CMAQ -- Changes:

- o No statutory changes in eligibility. Maximum flexibility consistent with CMAQ's basic AQ goal is already in place. (Formula changes are under consideration, however, as they will be for other programs as well.)
- o In view of EPA's likely issuance of new Air Quality Standards that would significantly affect nonattainment area boundaries and the number of nonattainment areas, consider including a provision that would "freeze" CMAQ against such changes pending specific action by Congress.

VI. Bridge Programs -- Existing ISTEA Provisions Relating to

Eligibility/Flexibility/Transferability:

- o Replacement or rehabilitation of structurally deficient or functionally obsolete highway bridges on any public road. Highway bridges eligible may be over waterways, other topographical barriers, other highways, or railroads. Rail bridges over highways are not eligible.
- o A state may transfer up to 50% of Bridge Replacement and Rehabilitation Program funds to the STP or to the NHS Program at state discretion.

Bridge Programs -- Changes:

- o Retain a formula bridge program, but eliminate set-asides for Bridge Discretionary and/or Timber bridge programs and consolidate their funding into the formula program.

- o Retain the 50% transferability, but add a new requirement to prevent abuses by providing that if a state transfers money out of the Bridge Program in a particular year, then a comparable amount will be deducted from the Bridge apportionment in the subsequent year.
- o Require states that undertake bridge rehabilitation/replacement projects to ensure the new bridge meets the weight limits they have established.
- o Provide minor technical expansions in eligibility (scour countermeasures, etc.).

VII. Section 5309 Transit Discretionary and Formula Capital -- Existing ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o Provides capital assistance to eligible transit projects in three categories: construction of new fixed-guideway systems or extensions of existing systems called "new starts," modernization of existing fixed guideway systems called "Rail Modernization," and major bus-related construction projects or equipment acquisition called "Bus Capital."
- o Rail modernization funds are distributed to urbanized areas with fixed-guideway systems in operation for at least 7 years on a formula basis. New Start and Bus Capital funds are distributed by discretion of the FTA or may have amounts "earmarked" by Congress.
- o Transferability: None.

Section 5309 Transit Programs -- Changes:

- o Eliminate Rail Modernization and Bus Capital tiers (merge both into Section 5307 program - see below).
- o Remaining Program would be for New Start Transit Projects, with a small discretionary program for emergency relief.
- o Expand eligibility to include intercity passenger terminals, both rail and bus, private as well as public.
- o Ensure that capital, operations, and maintenance costs for all transit infrastructure-based ITS technology and services are fully eligible. In general, planning, capital, operations, and maintenance costs for all infrastructure-based ITS technology and services for equipment installed by a public sector agency on a public transportation facility or on a publicly owned vehicle to support one of the thirty ITS user services would be eligible for Federal funding, so long as the deployment is consistent with the National ITS Architecture and applicable national standards as they are developed. Public sector agency costs associated with delivering the service and maintaining the equipment would also be eligible. Consumer products, equipment installed on private facilities or vehicles would generally not be eligible unless there is a demonstrated public benefit -- e.g., for private transit vehicles and for positive train control software and other intelligent technology for railroads operating on lines with commuter rail service.

VIII. Section 5307 Transit Formula Capital and Operating Assistance -- Existing ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o A formula grant program that makes funds available to all urbanized areas to finance transit capital and operating expenses. For operations, or capital projects by decision, up to a specific amount called the "operating cap" may be used. Any amounts in excess of the operating cap may be used only for capital projects.
- o Transferability to STP or other modes is limited. No unconditional transferability. In a designated Transportation Management Area (TMA), funds that cannot be used for payment of operating expenses under this section also may be used for highway projects if all needs related to the ADA are met, the MPO approves, and there is a balanced local approach to funding highways and transit.

Section 5307 Transit Assistance -- Changes:

- o Merge Rail Modernization formula into 5307 formula (maintaining same formula factors and amounts (but using 5307 eligibility and program requirements).
- o Add in amounts from Section 5309 Bus Capital Program, using Section 5307 formula.
- o Make "preventive maintenance" eligible as in Federal Aid Highway program.
- o Allow areas under 200,000 to use funds for any transit purpose (including operating costs, as in the Section 5311 - Rural program), and for intercity passenger rail and bus operations.
- o Allow recipients to use funds for intercity passenger terminals and vehicles, both rail and bus, private as well as public, if there is a public benefit.
- o Ensure that capital, operations, and maintenance costs for all transit infrastructure-based ITS technology and services are fully eligible. In general, planning, capital, operations, and maintenance costs for all infrastructure-based ITS technology and services for equipment installed by a public sector agency on a public transportation facility or on a publicly owned vehicle to support one of the thirty ITS user services would be eligible for Federal funding, so long as the deployment is consistent with the National ITS Architecture and applicable national standards as they are developed. Public sector agency costs associated with delivering the service and maintaining the equipment would also be eligible. Consumer products, equipment installed on private facilities or vehicles would generally not be eligible unless there is a demonstrated public benefit -- e.g., for private transit vehicles and for positive train control software and other intelligent technology for railroads operating on lines with commuter rail service.

IX. Section 5311 Rural Transit Program -- Existing ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o Provides funding for transit capital and operating expenses in rural areas.
- o In addition to local transit, intercity bus planning, marketing, bus shelters, joint-use stops and depots, operations, vehicles, and equipment such as wheelchair lifts are eligible. May be used for privately owned bus service as well as public.

- o 5.5% of total funds is available for Sections 9 and 18. Formula is non-urbanized population in each state.
- o Transferability: None.

Section 5311 Rural Transit Program -- Changes:

- o Allow state to use funds for intercity passenger rail service on same basis as for intercity bus service.
- o Remove minimum set-aside for Intercity Bus Service (but retain eligibility).
- o Ensure that capital, operations, and maintenance costs for all infrastructure-based ITS technology and services relevant to rural areas are fully eligible. Eligible activities would be the same as ITS eligible activities listed under NHS, STP, Transit Section 5309, and Transit Section 5307, except that in this case the activity would have to be specifically relevant to rural transit.

X. Section 5310 Elderly and Disabled Transit Program -- Existing ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o Transit capital equipment for private non-profit corporations and associations providing mass transportation services for the elderly and disabled or public bodies coordinating such service or providing service where no non-profit service is available.
- o Fixed minimum for each state and formula based on population of elderly and disabled individuals.
- o Transferability: None.

Section 5310 Elderly and Disabled Transit Program -- Changes:

- o Expand flexibility to allow state to fund intercity passenger rail and bus services for elderly and disabled individuals, including wheelchair lifts and other vehicle and terminal adaptations.
- o Expand eligibility to include operating costs under certain circumstances, with new emphasis on innovative solutions to mobility for older Americans.
- o Ensure that capital, operations, and maintenance costs for all infrastructure-based ITS technology and services that are relevant to serving needs of elderly and disabled individuals are fully eligible. Eligible activities would be the same as ITS eligible activities listed under NHS, STP, Transit Section 5309, and Transit Section 5307, except that in this case the activity would have to be specifically relevant to serving elderly and disabled individuals.

XI. NHTSA/FHWA/FRA Safety Programs -- Existing ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o Section 402 -- State and Community Grants (administered by NHTSA and FHWA) Funds are distributed by legislative formula to States to be used primarily for occupant protection, driving while impaired, speed control, motorcycle safety, police traffic services, traffic records, pedestrian and bicycle safety, and

emergency medical services. 40% of these funds must be “passed through” to communities for these programs. FHWA is authorized a separate portion of 402 for “roadway” safety purposes.

- o Section 403 -- Safety Research & Development (administered by NHTSA) -- Funds projects (under contract, grants, or cooperative agreements) to universities, private entities, and States for demonstration, research, evaluation, public information, and training projects to improve traffic safety.
- o Section 410 -- Alcohol-Impaired Driving Incentive Grants (administered by NHTSA) -- Funds States eligible under legislative criteria for activities related to alcohol and drug impaired driving.
- o STP safety set-aside (administered by FHWA and FRA) -- 10% of STP funds are reserved for infrastructure-related safety improvements on highways, and transit/railroad work in relation to highway rail-grade crossings projects. For rail grade crossings, funds may be used only for publicly-owned crossings but on any highway (i.e., not limited to Federal-aid roads as the overall STP is).
- o MCSAP (administered by FHWA) -- To partially fulfill statutory obligation of DOT to enforce Federal motor carrier safety laws, MCSAP provides funds to states for state enforcement of Federal or State truck and intercity bus safety and hazardous materials requirements. Enforcement provided through State vehicle and driver inspections and carrier reviews. States may use MCSAP funds to support drug interdiction, vehicle size and weight enforcement, and traffic enforcement. States “may” pass funds to locals. MCSAP funds are also provided for specific programs, including information system development, truck and bus accident reporting, training, research and development, and public outreach.
- o Currently there is very little transferability of the above types of program funds from one safety purpose to another, and little flexibility in the use of the funds. NHTSA grant funds may not be used on infrastructure safety or for MCSAP enforcement purposes. Nor can NHTSA grant funds shifted from one NHTSA program to another (although states can combine monies for specific projects). STP funds may not be used on NHTSA-type driver behavior programs, unless directly related to an “infrastructure” project. MCSAP funds may not be used for NHTSA-type program purposes, nor on infrastructure safety improvements. And none of the safety program funds may be used for non-safety purposes.

Safety Programs -- Changes:

- o Replace 10% STP safety set-aside with a new Flexible Highway Infrastructure Safety Program. Within this program, retain separate allocations for rail/highway grade crossings and hazard elimination. Hazard elimination funds, could be flexed to non-infrastructure activities (e.g., NHTSA behavioral safety activities) if the state has an integrated planning process in place.
- o Consolidate the existing NHTSA/FHWA 402 programs.
- o Retain NHTSA’s alcohol incentives program, and add new incentive programs to address priority issues, such as seat belt usage.
- o For MCSAP, reduce the current 3-tiered grant program to 2 categories and eliminate most, if not all, earmarks, with an emphasis on performance based programs.

- o Encourage states to develop an integrated safety planning process, with funding incentives.
- o In addition to the above formula allocated programs, NHTSA and FHWA would continue to administer national-level research, licensing, and motor carrier safety activities.
- o Ensure all safety-relevant ITS technology and services are fully eligible under the Infrastructure Safety Program described above. Eligible activities would be the same as ITS eligible activities listed under NHS, STP, Transit Section 5309, and Transit Section 5307, except that in this case the activity would have to be specifically relevant to safety.

XII. ITS -- Existing ISTEA Provisions Relating to Eligibility/Flexibility/Transferability:

- o Existing ITS programs are for research, testing, and technology transfer relating to "Intelligent" hardware, software, and operations for transit, highways, and commercial motor vehicles, including trucking and intercity buses, which operate on public highways.

ITS -- Changes:

- o Retain an ITS R&D program, with these changes (1) add/clarify eligibility for research on positive train control software and other publicly beneficial intelligent technology for railroads, passenger and freight; and (2) delete the Corridors Program language in ISTEA.
- o Create an ITS deployment incentives program aimed at jump-starting more ITS deployment and aimed at systems planning and integration across transportation modes, organizations, and functions.
- o This would be a transition program, with awards limited to 50% nonfederal match, and with emphasis on private involvement.
- o New ITS capital projects would be expected to be funded out of the NHS, STP, transit, and safety programs, but this program would concentrate on incentives to integrate existing and new ITS services -- e.g., to pay for writing and installing software that integrates ITS services so there is operability across transit and highway services, and across metropolitan areas and states.

XIII. State Infrastructure Banks -- Existing Provisions relating to Eligibility/Flexibility/Transferability:

- o The 10-state pilot program has been expanded to allow DOT to make unlimited SIB designations, and Congress has authorized \$150 million in Federal seed funding to be distributed to SIB states, at DOT discretion.
- o Statutorily divided between highway account (limited to "highway construction" projects only) and transit account (limited to transit capital projects eligible under Sections 5307, 5309, and 5311 of Title 49).
- o SIB funds can be used for loans, loan guarantees, credit enhancement, capital reserves, debt financing security, financing of purchase and lease agreements for

transit projects, and other forms of assistance that leverage funds. However, not for traditional "grants."

SIBs -- Changes:

- o Permit SIBs to be used on all surface transportation capital investment, regardless of mode, private as well as public, including intercity passenger and freight rail investment, subject to the financial feasibility tests inherent in debt financing.
- o Seek authorizations for additional Federal "seed" funds to continue to encourage use of SIBs.

XIV. Federal Credit Program -- Existing Provisions:

- o None. Handled in an ad hoc way, as were the Alameda Corridor and SR 91 provisions.

Federal Credit Program -- Changes:

- o Create new authority for credit programs, at both the national level and at the state level. Details still being developed by DOT staff.

XV. Border Crossings -- Existing Provisions:

- o None.

Border Crossings -- Changes:

- o Create a new pilot program, to support border improvements.
- o Also create a new border crossing planning program to support institutional cooperation and planning at the borders.

XVI. Trade Corridors -- Existing Provisions:

- o None

Trade Corridors -- Changes:

- o Establish a special planning fund to support trade corridor planning that is multistate in nature.

XVII. Amtrak -- Existing Provisions:

- o None

Amtrak -- Changes:

- o Funds for rail passenger system investments, including investment now funded through the general fund in the Amtrak capital account as well as investment currently funded through the general fund under the Northeast Corridor Improvements Program account.

XVIII. High-Speed Rail -- Existing Provisions:

- o Funds are provided to the Secretary for research development and technology demonstration of high speed ground transportation systems from both the Highway Trust Fund and the general fund.

High-Speed Rail -- Changes:

- o Funds for high speed ground transportation research development and technology demonstration as well as for pre-construction planning/engineering grants as currently provided by the Swift Rail Development Act, whose authority also expires at the end of FY 1997.

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**STATEMENT OF THE
HONORABLE RODNEY E. SLATER
SECRETARY OF TRANSPORTATION
BEFORE THE UNITED STATES SENATE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
ON THE REAUTHORIZATION OF THE INTERMODAL SURFACE
TRANSPORTATION EFFICIENCY ACT OF 1991
FEBRUARY 26, 1997**

Mr. Chairman, Senator Baucus, and Members. It is an honor for me to appear before the Senate Environment and Public Works Committee – the Committee that confirmed me as the Federal Highway Administrator, my first Federal position. I am especially pleased that my first appearance before a Congressional Committee as the Secretary of Transportation is before this Committee. I am deeply honored that the President and you, the Senate, have seen fit to entrust me with the significant responsibilities that come with being the United States Secretary of Transportation – not the least of which is one of the major transportation bills to be considered this year by the Congress.

The President has challenged all of us to help build a bridge to the 21st Century.

While speaking metaphorically, I believe that this Committee will agree with me when I say that transportation will have much to do in a real and concrete sense with the shape of the next Century.

When the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was enacted, it was hailed as the most significant restructuring of surface transportation programs since the Federal-Aid Highway Act of 1956. Those of you on the Committee who developed this extraordinary legislation are to be commended, because in concept it was truly a landmark law.

In the years since, we at the Department of Transportation (DOT) have worked tirelessly every day in every way to ensure that the noble objectives of ISTEA were realized in practice and implementation. The Administration, with the support of the Congress, has provided record level investment in transportation infrastructure. We have engaged in the most extensive outreach effort in the history of the DOT to aid our state and local transportation partners in implementing the new planning and the new shared decision-making process outlined in ISTEA. And we have engaged the private sector in ways never before realized. In short, we have worked to make the dream of ISTEA a reality.

During my testimony, I will be talking about the specifics of ISTEA and about the specifics of reauthorization. I want to emphasize, however, that in preparing to meet the transportation challenges of the 21st Century, ISTEA and its successor must be judged not simply by transportation measures—mileage improved, bridges rehabilitated, transit lines operated. Rather, ISTEA and its successor must be judged by how they

affect the lives of our people, the health of our economy, and the welfare of our Nation as we enter a new century.

I believe that transportation plays a central role in our society—central not just to everything we do or will do, but central to the history that has made us what we are today. I look to history as my guide in showing us how transportation has pulled us together as a Nation, how transportation has sustained our dreams, and how transportation has given us the freedom to enjoy the right, as promised by the Declaration of Independence, to “Life, Liberty, and the pursuit of Happiness.”

The echoes of history tell us the story.

In 1784, George Washington saw that the mountain barrier separating the seaboard cities of the new United States from the settlements along the Ohio River must be overcome or the settlements would be pulled into economic alliances with the British in Canada and the Spanish along the Mississippi River. The solution, he thought, was in the young Nation's clearest interests, namely: “open a wide door, and make a smooth way for the produce of that Country to pass to our Markets before the trade may get into another channel.”

Some years later, in 1806, President Thomas Jefferson would open that wide door by approving legislation to build the National Road linking east and west and eventually

stretching almost to the Mississippi River. In an 1806 message to the 9th Congress, he said that roads and canals would knit what was even then a diverse Nation together in what he called a "union of sentiment."

This view was reflected in the mission President Jefferson assigned to Captains Meriwether Lewis and William Clark. When they set out to explore the unknown reaches of the Louisiana Purchase, one of their goals was to find a navigable water route to the Pacific Ocean that would allow the United States to bind those uncharted territories to the Nation that now owned them.

President Abraham Lincoln understood. Even while trying to hold the Nation together in war, he took an important step to keep it together in peace. In July 1862, while the Union and Confederate forces were locked in combat, President Lincoln signed the Pacific Railroad Act that made a transcontinental railroad possible. He understood its military value, but he also recognized the importance of transportation in holding a Nation together and in enhancing the lives of the people on both ends of the line.

When the Federal Aid Road Act of 1916, which created the Federal-aid highway program, reached the desk of President Woodrow Wilson, he said he was happy to sign it because the new law "tends to thread the various parts of the country together"

President Franklin Roosevelt, facing the worst economic catastrophe this Nation has ever experienced, saw transportation as an integral part of our recovery. He saw road building and other public works as a way of providing jobs to the unemployed and creating a revenue stream to help businesses. But he also had a vision of a national network of superhighways that he nurtured throughout his presidency. The earliest report on what became the Interstate System was prepared by the Bureau of Public Roads at his request.

But in the 20th Century, perhaps no President had a clearer vision than President Dwight D. Eisenhower. His vision had been forged by practical experience. In 1919, as a Lt. Colonel, he had traveled across the country as an observer on the U.S. Army's first transcontinental convoy of military vehicles. The convoy took 62 days to get from Washington to San Francisco. During World War II, he had seen the benefits of Germany's autobahn freeway network. As President, therefore, he was committed to creation of a similar network for the United States. His 1955 message to Congress outlining his proposal provided an eloquent explanation of why the Interstate System was so important. He said:

Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods. The ceaseless flow of information throughout the Republic is matched by individual and commercial movement over a vast system of interconnected highways crisscrossing the country and

joining at our national borders with friendly neighbors to the north and south.

Together, the united forces of our communication and transportation systems are dynamic elements in the very name we bear--United States.

Without them, we would be a mere alliance of many separate parts.

I take my cue from these great leaders, who recognized that the tools of transportation--the concrete, asphalt, and steel of today--are but a means to an end. And that end is the unity of our Nation--and the mobility and prosperity of our people.

It is neither a coincidence nor an accident of history that in the 19th Century, the United States became stronger and our Nation more united as our transportation network spread across the continent, connecting farmers to markets, cities to cities, and coast to coast.

Nor is it an accident that in the 20th Century, the United States built the strongest economy and became the greatest power in the world at the same time our evolving transportation network was making our citizens the most mobile in the history of the world.

Because our country's prosperity and its quality of life are linked inextricably to the strength and efficiency of its transportation system, reauthorization of ISTEA gives us

an opportunity to begin to build that bridge to the 21st Century. The coming debate will be complex, frustrating, and intense, but as we build that bridge to the 21st Century, we must never forget that our future, and that of our children and grandchildren, will depend on how far our transportation system will take us—or not take us.

OUR CHALLENGE:

As we entered the post Interstate era of the 1990s, ISTEA gave us the tools and flexibility to respond not only to the Nation's transportation needs but to many of the economic, social, safety and environmental challenges we faced. It recognized that Federal investment must do more than build roads and mass transit; it must also help strengthen communities, improve productivity, preserve our environment, and protect the safety of all Americans. Under President Clinton, we have made good on ISTEA's promise. Working with the Congress, we have increased transportation infrastructure investment to record levels. These investments have paid off in substantial improvements to the condition and performance of our highways and mass transit systems.

To prepare for the future, Congress and the Department sought views on reauthorization over the past year, through hearings and forums all across the country. The clear message that emerged from these dialogues is that ISTEA is working and working well. The key to this success is that ISTEA is rooted in a strong partnership among all levels of government and with the private sector. These partnerships must

be preserved and strengthened.

New and continuing challenges lie before us in the 21st Century -- challenges to keep our economy competitive, to maintain our quality of life and to ensure a safe and efficient transportation system. As the President said in his State of the Union Address: "we must be shapers of events, not observers...." ISTEA represented that kind of visionary approach. The reauthorization of ISTEA holds the promise of keeping our economy the strongest in the world by providing access to markets, reducing health care costs through safer transport, reviving and empowering poor urban and rural neighborhoods, transporting people from welfare to work, harnessing the powerful forces of science and technology, protecting our environment, and maintaining a mobile and ready military.

The extensive infrastructure investment of the past two centuries provides a solid platform for the new foundation. Now, in addition to more traditional approaches, we can look to information and communication technologies, intelligent transportation systems, magnetic levitation systems, and other new or improved technologies that promise to transform the safety, efficiency and environmental soundness of travel. As the information revolution continues to change the way we do business, we will continue defining and expanding the transportation information infrastructure to get decisionmakers the right data at the right time and in the right format. The successor to ISTEA must recognize that, once again, America is at a crossroads and that

transportation will play a key role in helping choose our future path.

RESOURCES FOR TRANSPORTATION:

One of our biggest challenges is to provide adequate resources and sufficient flexibility to maintain and improve our surface transportation system within the context of moving toward a balanced budget. The Administration's legislative proposal, the "National Economic Crossroads Transportation Efficiency Act" (NEXTEA), will authorize a total of \$174 billion for surface transportation programs over a six-year period. This is an 11 percent increase over ISTEA funding levels. Our proposal will sustain core programs such as the National Highway System (NHS), maintenance of the Interstate System, and continuation of bridge replacement and rehabilitation, as well as important safety, environmental, and transit programs.

Even so, we recognize that the Federal Government alone cannot provide sufficient funds to meet our Nation's transportation needs. That is why we propose to expand the successful State Infrastructure Banks (SIBs) program to all states and to establish a Federal credit program to supplement current funds and expand opportunities for attracting new public and private capital transportation investment.

Responding to the President's 1994 Executive Order on Infrastructure Investment, the Department launched a broad innovative finance initiative to stretch the Federal dollar and attract new sources of capital. Our Partnership for Transportation Investment,

initiated more than two years ago, cut red tape, produced new financial tools and attracted new funding. Over 70 projects, worth more than \$4 billion, moved to completion ahead of schedule, saving both interest and inflation costs. As impressive as these figures are, we are confident we can do even more by expanding these efforts nationwide.

We propose taking the next step by expanding the amount of seed money available for State Infrastructure Banks (SIBs) and by dedicating \$100 million to a new Federal credit program. Although similar to the SIBs, this program will support multi-state projects of national significance that a single state might not be able to manage on its own. This new initiative will help keep us competitive in the global economy.

Technology provides another strategy for getting more from our Federal investment dollar and maximizing system performance. In many cases, technology can provide needed additional capacity at less monetary and environmental cost than new construction. Therefore, we are proposing a new systems integration incentive program for Intelligent Transportation Systems (ITS) to assure that all technology systems can be integrated in order to deliver smoother service. In addition, we propose making ITS investments eligible under all major investment categories.

ECONOMIC IMPORTANCE OF TRANSPORTATION:

Our economy is rapidly changing and so must our transportation system. By improving

access to markets worldwide through fast, flexible service, we will provide the foundation for American businesses to flourish. As the President said in the State of the Union Address. "America is once again the most competitive nation and the number one exporter in the world." Nations throughout the world are making massive investments in transportation infrastructure, often in an effort to catch up with the United States.

To ensure our continued competitive edge in the global marketplace, we want to retain successful core programs, such as the NHS and the Surface Transportation Program (STP). They provide mobility for people and freight that is so critical to the economic viability in our urban centers, and suburban and rural areas.

The Federal Lands Highway Program will continue to provide needed transportation infrastructure investments vital to Federal lands and in Indian country. We will continue to improve tribal involvement in programs serving Native Americans.

With the success of NAFTA and GATT, we have seen a tremendous growth in trade. To make the most of these opportunities, we are proposing new programs to help improve our border crossings and major trade corridors -- programs that will facilitate our domestic and international trade. In order to ensure the viability and safety of our intermodal transportation system and trade corridors. The Department recognizes the leadership role that Senator Boxer has played in focusing attention on the importance

of these border crossing concerns. We also propose to provide funding to alter and remove highway and railroad bridges that unreasonably obstruct our water highways.

To increase the efficiency of the NHS, we propose to broaden the list of eligible activities for NHS funds. Enhanced flexibility will enable states to make improvements that reduce congestion on the NHS, eliminate bottlenecks, and move people and freight more efficiently to their destinations.

SAFETY:

Motor vehicle crashes alone represent a terrible toll in terms of deaths and injuries.

The cost of medical treatment for these injuries is estimated to be more than \$14 billion a year. Our taxpayers pay more than one-quarter of that amount to cover Medicaid and Medicare costs. In addition, the attendant losses in productivity and travel time, place a huge burden on our economy -- over \$150 billion annually. Taxpayers also have to make up for the lost taxes resulting from injuries and fatalities, estimated at nearly \$8 billion a year. But the personal costs in the tragedy to the families and survivors, with the destruction of their hopes and dreams, cannot be measured in dollars alone. We also are concerned about recreational boating safety which is the second largest cause of transportation related deaths. Boating education saves lives. We propose to extend the authority to authorize expenditures from the Boat Safety Account for boating safety grants to the states.

The challenge before us is to improve our safety record even as we face steady increases in travel. To do this, we must encourage and help underwrite improvements on three fronts: driver behavior, vehicle design, and roadway safety. It is all interrelated. And, our proposal does just that -- funding is provided to advance safety on these three fronts.

Safety belt use has grown from 11 percent in 1982 to 68 percent in 1996; alcohol involvement in fatal crashes has dropped from 57 percent to 41 percent over the same period. The fatality rate per hundred million miles driven has declined steadily.

Despite this progress, a look at recent statistics shows that status quo is not good enough. Motor vehicle crashes are still the leading cause of premature death of America's youth. After years of steady decline, highway fatalities and injuries have been increasing since 1992: about 41,500 people died and over 3 million more were injured in 1996 -- a slight reduction from 1995. The easy gains in highway safety have already been made.

And the future will bring new and difficult challenges. The number of teenagers -- an age group with high crash and fatality rates -- is increasing. In 1995, the last year for which we have complete data, the number of alcohol-related fatalities increased for the first time in 9 years. New highway safety messages and programs will have to be created to target these populations and other groups that are harder to reach due to

language or other barriers. New developments create new challenges -- such as higher speed limits and attempts to weaken motorcycle helmet laws. We must strengthen all our safety efforts, especially our campaigns **against** drunk driving and **for** increased use of existing occupant protection systems. Toward that end, following President Clinton's initiative, the Congress last year enacted legislation to encourage zero tolerance for alcohol use by teenage drivers.

This bill meets these challenges by adopting, within the framework of the state and community highway safety program, incentives that add new momentum to the program at the same time that state and local attention is focused on high priority safety needs. Key provisions of our highway safety proposal include increased authorizations for our drunk driving prevention grant program to help states enact and enforce tough drunk driving laws, and two new incentive programs to encourage states to increase safety belt use and enact and enforce tough laws to prevent drug impaired driving. We also are proposing a new state highway safety data improvement grant program. This will help states identify the priorities for state and local highway safety programs. And we are proposing a new research and education program to reduce air bag risks for children and small adults, while still preserving the benefits of air bags for all motorists.

In all safety areas, there will be a new emphasis on performance based management -- with a focus on results. We will provide more money and greater flexibility to shift that money to activities with the highest safety payoffs. I recognize that the demand for

carrier safety exemptions is growing. Although it is premature to recommend any changes now, we are closely monitoring the safety performance of NHS exempt carriers and drivers. We wish to work with you on a solution.

Roadway safety may not receive as much media attention as driver-related factors such as drinking and driving, air bags and child safety seats, but it counts. Lives are saved by good, safety-conscious road design. That is one of the reasons our Interstate System has the best safety record of any roadway in the nation. Single vehicle "run-off-the-road" crashes — which account for 1/3 of all fatal crashes — rollover crashes, loss of control on wet or icy pavement, and crossing lanes into on coming traffic are all influenced by roadway design. The recent Dateline Report and Reader's Digest article on roadway safety underscore this fact. Aggressive drivers who speed are especially vulnerable, as are new drivers who do not know how to handle their vehicles. As Baby Boomers age, nighttime visibility— especially of signs at night and pavement markings— is growing in importance. Intersection design also is increasingly important as the numbers of aging drivers increase; left hand turns are a common accident configuration among elderly drivers. These are some of the roadway safety problems we face today. Fortunately, countermeasures exist.

We are proposing a \$500 million Infrastructure Safety Program that replaces and improves upon the current STP safety set-aside. These funds will continue to be used to eliminate highway hazards on public roads other than Interstates and to improve the

safety of highway/rail grade crossings. Hazard elimination funds can be spent only on non-Interstate public roads. That is where the money is needed. Interstates have a fatality rate of only 0.73, whereas two-lane local roads can have a fatality rate nearly five-times as high (up to 3.45 in rural areas). Federal hazard elimination funds can be used for these public roads to redesign intersections, increase visibility, improve pavement markings, and add guardrails. These countermeasures would help prevent some of the crashes, such as those described in last Friday's Dateline show. Grade crossings have received particular public attention since the tragic school bus crash at a crossing in Fox River Grove, Illinois. We have proposed increased flexibility in the use of these funds. For the first time, we will allow states, under certain circumstances, to use some of their highway infrastructure safety funds for behavioral programs.

We also are proposing a new incentive fund – called the Integrated Safety Fund. It will reward a state that has an integrated safety planning process in place; by providing additional funds it can use for motor carrier safety, infrastructure improvement or driver behavior modification programs.

The programs I have just described are the first part of a three-pronged attack on our roadway safety problems. The other two parts are programs to close the information gap and to facilitate proactive partnering. It is vital to close the information gap between what we know are the best safety practices and what is actually being done by state and local communities. We are also proposing a National Deployment Initiative to

speed up installation of signs and pavement markings with improved visibility and to expand technology transfer and training activities.

Proactive partnering is the third piece. We intend to work closely with the industry, state and local governments and established safety groups as partners. Together we will identify the best practices and make the highway community aware of highway safety needs and opportunities.

We have a big job facing us. Not just a big job for the Federal Government, but a big job for state and local governments as well. The size of the task facing us -- to reduce the growing number of traffic fatalities -- demands that we join in new partnerships to address this problem. Our safety proposal will give us the tools we need to increase highway safety.

I also would like to mention two recent Presidential initiatives. President Clinton directed DOT to work with the Congress, the states and other concerned Americans and report back to him with a plan to increase seat belt use. This report will be delivered to the President and also to the Congress within the next few weeks.

On February 15, 1997, the President announced a major new step in our efforts to protect American children -- a universal system for attaching child safety seats in cars. This system will make child safety seats easier to install and more secure on the road.

This system will save young lives. The DOT proposal is now out for public comment. If approved, the new safety system could be on the market by 1999.

COMMUNITY ENHANCEMENT AND WELL BEING OF THE PEOPLE:

The President has said that we must do more "to revive and empower poor urban and rural neighborhoods." Transportation empowers our neighborhoods by providing access to jobs, to markets, to education and to health care. It also enhances a community's ability to attract businesses that bring employment. Both highways and transit are vital to maintaining our metropolitan areas as viable commercial centers as well as providing essential transportation service in less populated areas. We propose to continue our strong commitment to both. We are proposing even more flexibility for state and local officials to use funds for their highest priority projects. For transit, we propose consolidating programs to make it easier for transportation officials to select options that best improve mobility in their communities. In addition we propose to authorize funds for the Appalachian Development Highway Program which has been found to be so vital to the Appalachian states.

Traffic congestion in the Nation's largest 50 cities costs travelers more than \$40 billion annually. Delays are likely to increase over the next two decades as travel nationwide increases by a projected 60 percent. These delays translate directly into growing costs to businesses, which ultimately are passed along to consumers, who sacrifice leisure time with family and friends.

Our proposal continues and improves upon the planning provisions of ISTEA. ISTEA initiated a transformation in the role of planning and the planning process by focusing on the key linkages among modes, investment decisions and community impacts, transportation options and community needs, and transportation efficiencies and economic competitiveness. We have simplified, yet strengthened, both the metropolitan and statewide planning provisions. Language has been added in the statewide planning provisions to bolster the consideration of rural concerns in the development of both transportation plans and transportation improvement programs. The proposed amplified metropolitan and Statewide planning continues requested considerations of the relationships between planned transportation and the economy, the environment, and the revitalization of communities and needs of low income household, disable, and elderly persons.

One of the most important problems we face as a Nation is the decline of our inner cities. In our mass transportation proposal, we intend to reverse this trend by strengthening the influence of state and local decision makers. While we propose to replace operating assistance with increased capital funding for large urbanized areas over 200,000 in population, we have expanded the definition of capital projects to include maintenance, intelligent transportation systems, and intercity passenger facilities which will give these areas more control over how they spend their Federal transit money.

We propose allowing rural and small urbanized areas under 200,000 in population to spend their Federal transit money for any eligible transit purpose. The recipient can choose, for example, how much Federal assistance to use for operating assistance. This decision will be based on the recipient's own needs, rather than a programmatic formula.

This Administration remains committed to mass transportation. To ensure that state and local governments have a predictable amount of Federal transit funding from year to year, we have combined the Fixed Guideway Modernization and Bus Discretionary Programs into the Urbanized Area Formula program. We have streamlined various formula programs by adopting simpler and more flexible program-wide definitions of eligible capital costs, matching ratios, and grant requirements.

Our proposal promotes joint economic development, which would particularly benefit inner cities. We are proposing the creation of a new \$100 million program to provide access to jobs and training, administered by the Federal Transportation Administration and cooperatively supported by the Federal Highway Administration. This new initiative will help relate the transportation contribution to welfare reform. We hope this program will act as a catalyst, uniting local governments, mass transportation providers, and social service providers in working toward a common goal of helping people who do not own cars improve their lives not only by finding a job, but by being able to get regularly to that job. DOT will work with other Federal agencies to achieve

the maximum from this important initiative. In addition, we are proposing to reauthorize our Disadvantaged Business Enterprise Program, which has provided billions of dollars in Federal-aid contracts to businesses owned by minorities and women.

ENVIRONMENT:

Transportation, like all human activity, also affects the natural environment. Efforts to mitigate environmental impacts and improve air and water quality, to protect open space, wetlands and wildlife habitat, revitalize brownfields and urban areas and to support other options that reduce the need for travel, such as pedestrian-friendly developments, must be continued and strengthened in NEXTEA.

The United States continues to be the world's largest producer of greenhouse gases--both absolutely and on a per capita basis--and transportation accounts for 32 percent of U.S. carbon dioxide emissions, the key emission from anthropogenic sources. This is of ongoing concern because, as vehicle miles traveled and single-occupancy vehicle rates continue to increase, transportation is the fastest growing sector for greenhouse gas emissions. The threat posed by global climate change must continue to be addressed through efforts to encourage travel in higher occupancy modes such as mass transit and carpools, to help reduce the growth in vehicle miles traveled.

Transportation planning decisions should also take into account efforts to redevelop "brownfields," particularly urban areas that have been abandoned or underutilized due

to contamination risks.

We have made progress. In 1990, 140 million people were living in areas that violated the ozone standard. Today, that number is down to 64 million. Although that progress is commendable, we still have environmental challenges, not just to improve the air but to enhance our communities while meeting transportation needs. We also are pleased with successes in funding wetlands mitigation, restoration and planning under both the National Highway System and the Surface Transportation Program. Preservation of natural habitat also will be eligible in connection with projects funded under NHS and STP.

ISTEA created two major and successful environmental programs, the Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Transportation Enhancements Activities (TEA) funding, which increased state and local officials' ability to target funds to projects that help their communities. They responded enthusiastically to increased flexibility. CMAQ has proven to be one of ISTEA's most flexible programs. Our proposed changes to this program will make it easier for areas that do not meet particulate matter standards to receive CMAQ funds.

Under the TEA, states have carried out projects that help transportation facilities fit better into communities, by preserving historic transportation facilities, building bicycle and pedestrian paths and mitigating storm water runoff. We are recommending

codifying the requirement that these activities have a direct link to surface transportation.

Under these two categories, ISTEA has stimulated hundreds of successful projects that prove that transportation can enhance the environment. For example, the Ferry Building improvement project in San Francisco establishes a significant public space for the city's residents while providing the opportunity to increase ferry ridership which will help alleviate automobile congestion and improve the region's air quality. In New York City, the CMAQ program provided the funds for establishing barge service to ship freight across the Hudson River, avoiding truck trips across the Verrazano Narrows Bridge, reducing congestion, and improving air quality.

Through CMAQ, we funded an innovative truck-rail transfer facility in Stark County, Ohio, and projects in Portland, Oregon and Seattle, Washington designed to unsnarl traffic and improve rail and truck access to the commercial waterfront. Improved freight movement between New York and New Jersey ports as a result of the Red Hook Barge increases the marketability of that area to importers and exporters. In Boise, Idaho, the city is using CMAQ funds to replace 28 of its outdated diesel buses with a fleet of small and medium-size buses powered by compressed natural gas. These projects are success stories not only in the direct, tangible results they produced, but also because they brought citizens to the table to make a positive impact in their communities.

Our reauthorization proposal includes Scenic Byways and the Recreational Trails programs, incorporating them into Title 23 and continuing to provide contract authority. Routes designated as All-American Roads or National Scenic Byways will be given highest priority for scenic byway funding.

RESEARCH AND DEVELOPMENT:

We rarely think about how our transportation came into existence—as if it sprang full blown into reality for our convenience. In truth, our transportation network is the work of several centuries of innovation and creativity.

As our Nation began, we depended on natural transportation—the Atlantic Ocean and the rivers and streams that Nature provided to us in abundance. Soon, early trails allowed freight to be shipped on pack mules, but soon innovation overcame the packtrains in the form of the great Conestoga wagons and Concord stagecoaches. They, in turn, gave way to each new state-of-the-art in succession: the steamship, the canal, and then the mode that transformed the 19th century, the railroad.

By the end of the century, the humble bicycle had become so popular that it seemed ready to revolutionize personal transportation—it certainly inspired the good roads movement of that era. However, its true revolutionary aspect was that many of the early bicycle mechanics became the automobile makers of the 20th century. And two bicycle mechanics, Orville and Wilbur Wright of Dayton, Ohio, learned from their work

with bicycles the key innovation that allowed them to fly and, more important, control an airplane.

This evolution of transportation innovations has made the United States the most mobile Nation in history. One thing is clear from this brief history. We cannot afford to stand still, whether from complacency or a false sense of economy.

Research and development is the key to finding effective and innovative solutions to new and emerging transportation challenges. We recognize the need to foster cooperation in research and technology planning among government, academia and industry in addressing the nation's transportation goals. In a time of resource constraints, we must strive to increase the impact of our investments rather than the size of our budgets. By institutionalizing a planning process that includes other Federal entities involved in transportation research, we can coordinate transportation planning at all government levels, encourage innovation, and ensure global competitiveness. Consistent with the proposal to adopt a strategic approach to research planning, we seek to establish an Intermodal Transportation Research and Development Program to support long-term, higher-risk, inter- and multi-modal research that will ensure our ability to continue the steady advances in transportation technology necessary to meet the demands of the 21st Century. Such a program will augment programs and support the essential research that gives us the tools to improve both the quality and efficiency of our transportation system.

Our proposal includes a national Technology Deployment Initiatives program which will focus on the application of new and innovative technology that will address "customer-driven" technology goals. The Professional Capacity Building and Technology Implementation Partnerships proposal will support the delivery of new and innovative technology as well as development of knowledge and skills needed to apply that technology. The Long-Term Pavement Performance and Advanced Research element will commit a stable funding source for other long-term research efforts.

As we prepare to meet the challenges of the 21st Century, we must look ahead to prepare our existing workforce and our young people for the growing number of high-paying transportation jobs that will be created as the result of our progress.

Recognizing the need for a diverse cadre of transportation professionals who are prepared to design, deploy, operate and maintain the transportation systems of the 21st Century, we propose to continue the university transportation centers program and encourage states to continue their transportation training programs.

STREAMLINING:

States, MPOs, and local governments have stressed the importance of finding ways to streamline project delivery -- to reduce the paperwork, speed up project delivery, and eliminate "one size fits all" requirements.

We propose to remove a limitation on project charges for construction engineering, so that actual costs can be reimbursed. And we propose to allow states to get credit toward their matching share when property owned by the state or local government is donated to a Federal-aid project. We recognize, however, that while we cut red tape and streamline transportation programs and projects, we must be careful not to erode workers' labor standards, civil rights, or employee protective arrangements.

APPORTIONMENT FACTORS:

In recognizing the need to replace outdated apportionment factors, we have proposed apportionment formulas that we believe are fair to all states, yet relate well to our Nation's transportation objectives -- the safe, efficient, and environmentally sound movement of people and freight. The basic program formulas we propose are simple, easily understood, and relevant to the Federal programs they affect. They rely on information that is current and recognized as valid and reliable. It is easy to gather and can be readily updated. We recognize that sudden changes in formulas could be disruptive to many state programs, so we have proposed certain equity adjustments to ease the transition to the new apportionment formulas.

In presenting these factors for your consideration, we understand that there will be considerable debate over formulas. We will be pleased to work closely with you in the

development of new distribution formulas.

Our legislative proposal builds on the philosophy, principles and strengths of ISTEA. And it proposes changes and refinements to meet the new challenges we face -- challenges to improve safety, enhance the environment and foster new technologies and approaches for the demands of the 21st Century.

We look to the 21st Century, and we see state and local transportation agencies advancing toward state-of-the-art and state-of-the-practice in all areas, including planning, design, finance, use of new materials, systems management, and construction practices.

We see the Federal Government as a coordinator, working with state and local transportation agencies and with the public to enhance transportation.

We see increasing privatization of transportation systems and more private investment in public transportation facilities.

We see growing acceptance of the need to manage existing transportation systems in an efficient manner by providing flexibility and choice to the states.

We see the Modal Administrations within the Department of Transportation cooperating

to help each mode of transportation do the work it does best--and ensuring that these modes link up into a whole that is greater than the sum of its parts.

We see increased intermodal shipments pulling modes more closely together out of mutual interest, not government intervention.

We see the National Highway System tying the Nation's transportation system into a seamless web of efficiency and safety that supports productivity increases and enhances competitiveness in international marketplaces.

We see safety consciousness continuing to reduce the number of fatalities and injuries from transportation incidents. We see the importance of an efficient and effective intermodal transportation system that includes all transportation elements.

We see transportation in the 21st Century serving the same role as the Civil Rights Movement of the 1950's--empowering minorities, women, and immigrants to achieve the freedom that is only possible with full mobility.

We see roads without potholes, bridges that can bear the traffic crossing them, highways without congestion.

And we see an America poised to make the 21st Century another American Century.

Can we achieve this vision? In response I remind you of something Dr. Martin Luther King, Jr., said on March 25, 1965, when he addressed the throngs on the Alabama Capitol steps who had just concluded the four-day, 52-mile march for voting rights from Selma to Montgomery. He said:

The road ahead is not altogether a smooth one. There are no broad highways to lead us easily and inevitably to quick solutions.

For the Department of Transportation, there are no broad highways to easy, quick solutions. But I hope that I can help us reach not just for the easy and the quick, but for the solutions that will make a difference in the long run, for the solutions that appear, but are not really, just beyond our reach.

There are significant challenges ahead. I look forward to working with this Committee on reauthorization of these important surface transportation programs. Clearly, I believe, we can all agree that investment in our Nation's transportation infrastructure is vital to preserving our competitive advantage throughout the world and maintaining the well being of our people.

* * *

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

DRAFT

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 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. I would urge that appropriate Amtrak reauthorization legislation be submitted to Congress no later than the House hearings tentatively scheduled for March 12. 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 need 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 passenger and freight 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.

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APTA'S ISTEA REAUTHORIZATION WORKING PROPOSAL: SUMMARY

The American Public Transit Association (APTA) has adopted a comprehensive working proposal for reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). The Federal government should retain a vital role in maintaining a balanced and comprehensive transportation system that supports a healthy economy by moving people and goods as efficiently as possible. The plan calls for preservation of ISTEA's overall program structure and flexible funding provisions, maintenance of a strong federal transit program, and elimination of unnecessary regulations. The plan rejects proposals to repeal federal gas taxes that support investment in the nation's transportation infrastructure, to turn responsibility for administering current federal transportation programs over to states, or to otherwise eliminate the existing transportation partnership between state, local and federal government. A summary of key recommendations follows:

- ☛ **Preserve a Strong Federal Transportation Program --** The nation's surface transportation system must provide a solid foundation for economic growth by moving people and goods efficiently and by serving as a comprehensive, integrated network. ISTEA reformed federal policy to meet the mobility challenge of the post-interstate era by integrating surface transportation planning, programs, and services. Federal support for transit investment is a fundamental part of a balanced national transportation program that strengthens our economic productivity and global competitiveness, enhances mobility for all Americans, protects the environment, and contributes to other national goals.
- ☛ **Maintain ISTEA's Flexible Funding Provisions --** ISTEA's flexible funding provisions under the Congestion Mitigation and Air Quality (CMAQ) program and Surface Transportation Program (STP) have been successful and should be retained. They allow communities to identify those transportation solutions that best serve their needs for economic development, community revitalization, and other goals. APTA's proposal supports adjustments to the CMAQ program so it continues to provide resources for "maintenance areas" because these areas remain subject to EPA requirements.
- ☛ **Maintain the Existing Transit Program Structure --** The existing transit program structure works well and should be retained. The discretionary new start, rail modernization, and bus components; formula funding for urbanized areas, non-urban, and elderly/disabled components; planning and research; and FTA administrative functions, all provide funds for specific needs and encourage innovative solutions for all regions of the country.

AMERICAN SHORT LINE RAILROAD ASSOCIATION REGIONAL RAILROADS OF AMERICA

Reauthorization of ISTEA

- **Objective**

ASLRA and RRA are working to increase flexibility and broaden eligibility provisions of the Intermodal Surface Transportation Efficiency Act (ISTEA) when it is reauthorized so that small freight railroad projects, that are publicly sponsored and meet public interest criteria, can receive ISTEA funds.

- **Purpose**

Small railroad public interest projects can produce highway benefits by relieving highway congestion, reducing wear and tear, and avoiding expenditures for upgrading highways and bridges.

- **Source of Funds**

From ISTEA, Surface Transportation Program, in addition to transportation enhancement and CMAQ funds (all non-General Fund). In addition, State Infrastructure Banks (SIB's) could play an important role in financing these projects.

- **Eligibility**

Assuming the basic structure of ISTEA will be retained, eligibility criteria for surface transportation funding should be broadened to include a new category: **"Construction, reconstruction, rehabilitation, resurfacing, restoration, and operational improvements of local railroad freight facilities that a local MPO or statewide planning process finds to be in the public interest."**

- **Expand List of Factors**

The list of factors guiding planners should specifically encourage small rail freight projects, by adding: **"Preservation and enhancement of existing local railroad freight transportation facilities and, where practical, ways to meet local transportation and economic needs by using existing local rail freight transportation facilities more efficiently."**

- **Position Paper**

Attached (October 21, 1996 letter to FRA Administrator Molitoris).

...

The Rail Enhancement and Preservation Partnership Act

*A proposal to increase the Federal
Government's ability to leverage limited
resources and improve rail service*

Background

During the 1970's wave of Northeast and Midwest railroad bankruptcies, Congress initiated three national financial assistance programs--Section 511 loan guarantees, Section 505 redeemable preference shares (direct soft loans), and Local Rail Freight Assistance (LRFA).

Right for their time, these programs did a remarkable job in saving thousands of miles of branch line that would have been abandoned. In addition these programs financed the rebuilding of key routes on such carriers as the Illinois Central and Chicago North Western which helped them to become two of the most profitable Class I carriers in America.

Today, the need for Federal rehabilitation assistance programs has changed. The nine Class I carriers, all of whom have gone through dramatic downsizing, are in remarkably good condition. However, 35,000 miles of rail line has been transferred from those major carriers to more than 300 new shortlines and regionals. Much of this line is in poor condition, and unfortunately, the new carriers have been unable attract private financing to fund basic infrastructure repair to bridge, track and facilities. Acceptable bank loans are unavailable because these projects provide little or no security. The Federal Railroad Administration has estimated there is a \$452 million shortfall just to stay even with where they are today. The RRA believes it is not acceptable to stay even. Too much of the Class II and III system operates at very low speeds--much on excepted track under 10 miles per hour. We must improve our regional and shortline railroads to achieve higher speeds and enhance safety.

Unfortunately, the existing Title Vand LRFA railroad rehabilitation programs are cumbersome and administratively obsolete. They do not fit with the Credit Reform Act of 1990. They fail to take full advantage of new concepts such as State Infrastructure Banks and other public-private "partnering" concepts which should be applied to rail projects. The Rail Enhancement and Preservation Partnership Act (REPP), attempts streamline the best elements of the older financial authorities in a manner that will strengthen the Federal Government's flexibility and leverage its resources.

Following is a section-by-section analysis of REPP.

Section 101 - Preamble

The Preamble outlines the objectives of the Act which is to provide the Secretary of Transportation with tools to provide flexible financial assistance for public interest rail projects in a manner that leverages other available resources.

Section 102 - Direct and Guaranteed Loans

Under this authority, the Secretary of Transportation may provide direct loans at the government's cost of money (no interest subsidy). In the alternative, the Secretary may, guarantee loans made by private lenders. The borrower may be a private railroad, a state or local government, or other qualified person. These loans and guarantees may only be made absent reasonable commercial financing. These are loans, not grants, and must meet repayability tests. The Section 511 Loan Guarantee program is terminated. Section 102 makes a number of improvements on the old 511 concept:

- First, the concept of "Infrastructure Partners" is introduced. Under the current rules of the Credit Reform Act of 1990 (CRA), Congress must appropriate funds for a "credit risk subsidy" as insurance against a loss on a cohort of government loans or guarantees. This applies government-wide to all loan and guarantee programs. Under the REPP concept, a partner, which could be the state or a borrower, may provide a "credit risk premium" in lieu of the Federal appropriation for the credit risk subsidy. The "partners premium" may substitute for all or part of an appropriated federal subsidy. By doing this, the program can operate without a budget impact on the federal appropriations process. The premiums would be held as part of the cohort of loans and until all loans in that cohort are paid. If no losses occurred within the cohort, the premiums would be returned to their original source with interest.
- Second, the language dovetails with modern Federal Credit Reform concepts. For example, under existing Section 511, a loan from the U.S. Treasury's Federal Financing Bank (FFB) is referred to as a "guarantee". The Office of Management and Budget, under CRA guidelines, believes this FFB guarantee should be treated as a direct loan from the government. Sec. 102 makes a clear distinction between a federal "direct" and "guaranteed" private sector loans.
- Third, a series of limitations and priorities is established. There is a total obligation ceiling of \$1 billion (transferred from section 511), but no more than \$200 million may be committed in one year. Finally, various assistance criteria have been streamlined and clarified to provide more flexibility without sacrificing the government's security and repayment interests.

Section 103 - Low Interest Direct, Guaranteed Loans and Grants

Previously, the Local Rail Freight Assistance Program allowed grants for projects with a high public interest. For the last two years, that program has not been funded. Serious situations have arisen with flooding and natural disasters. In the absence of LRFA, there is no assistance available to shortline railroads that have been seriously damaged. This is bad policy, and unfair, in that competing freight modes have their rights of way fully repaired through the highway departments and Corps of Engineers at no cost to them.

Section 103 loans and grants are for natural disasters and other projects where there is a high public interest with low financial return. If a project meets the financial viability criteria of a section 102 loans or guarantees, the financial assistance must be processed under section 102. Section 103 essentially permits a subsidy, so there must be a Federal appropriation. The Secretary is given broad flexibility to use the funding to bring interest down to as low as 3% for direct or guaranteed loans, or to make grants in more extreme situations. Unless otherwise specified, the Secretary would have the ability to mix the assistance on a case-by-case basis.

The Secretary may provide loan, guarantee, and grant assistance to State Infrastructure Banks, or comparable state entities, when this assistance is to become part of a total financial package for a project. The Secretary must make a "public interest" finding and states must concur, and participate in grants on a 70% federal - 30% state basis. The Secretary is given broad authority to ensure that the government's security interests are adequate and that the purposes of loans and grants are actually realized.

Section 104 - Administration of Section 102 & 103

The objective of this Section is to address a series of administrative and operational issues applying to authorities in both sections. These include consistency with the Credit Reform Act, assignments of guarantees, assistance modifications, government fees for service and rights in event of a default.

Additionally, because financial assistance under this Act is available to all providers of rail services, a mandate is established for the Secretary to ensure that resources are equitably distributed among the various types of providers and rail services. The objective is to prevent one class of service provider or one entity from receiving all the resources.

Section 105 - State Planning and Coordination

The LRFA Program permits grants to states for rail planning and coordination. Section 105 continues this concept.

Grants under this Section provide for development of State Rail Plans, feasibility studies for projects involving state participation, cost benefit analysis for financing alternatives, etc. This new emphasis is designed to enlarge the scope of studies in an effort to explore more thoroughly strategic financing alternatives to traditional assistance as well as to evaluate trade-offs between modal alternatives (highway - rail) in order to better allocate scarce transportation investment dollars.

Unlike the present LRFA, the grant funds would be distributed based on need, with no one state receiving more than \$50,000.

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-8175

December 18, 1996

Dear Colleague:

As Congress prepares to reauthorize the Intermodal Surface Transportation Efficiency Act (ISTEA) next year, we ask that you join us in supporting an increase in funding for this nation's transportation programs.

Our transportation system is critical to our ability to compete in today's global economy. Our national transportation system contributes to our mobility and efficiency, as well as improving our quality of life.

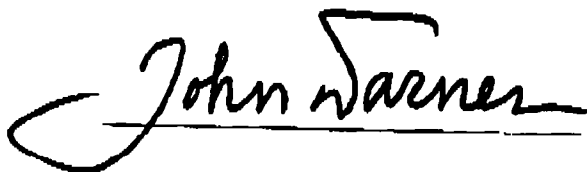
However, there remains a tremendous backlog of unmet transportation needs in this country. Other nations are expanding investments in their infrastructure. The United States must meet this challenge and devote available resources to transportation projects.

The Department of Transportation has estimated that the Highway Trust Fund could currently sustain funding levels of approximately \$26 billion into the next century. These funds are generated by fees assessed everyday on users of the transportation system. That money should be available to use for its intended purposes.

Therefore, we ask that you join us in sending the attached letter to the Senate Budget Committee. By advocating a well-funded transportation system, we can enter the reauthorization of ISTEA with the funding levels necessary to meet the transportation needs and economic challenges of all Americans.

If you have any questions or would like to sign the letter, please contact either one of us or Kathy Ruffalo with Senator Baucus at 224-3333 or Ann Loomis with Senator Warner at 224-2023.

Sincerely,



Attachment

United States Senate

WASHINGTON, DC 20510

December 18, 1996

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

Dear Mr. Chairman:

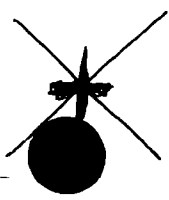
As the Senate Budget Committee begins to prepare the FY 1998 Budget Resolution, we are writing to express our support for an increase in funding for transportation programs. With the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA) next year, funding levels in the Budget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



Wed afternoon

Tuesday/Wed

ISTEA

Simplify

CMAQ 26% ↑ set aside

Enhancement 29% ↑ set aside

— Linda Lince (VP)

— Diane Regas

2 Air quality standards - if increased
CMAQ money available

proposed SIP for purpose
NHS, STP

OMB



eligibility wetlands, historic - eligible

NHS, STP ↔



0 Brownfields administrative guidance change
pilot program (5 areas)
additional money
\$5 million separate pot
may be possible to make eligible for NHS, STP



Economic Development

\$10-25 million

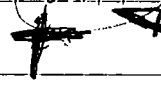
Administrative Item



Climate Change

- emissions growing dramatically
incentive fund - for states that improved energy efficiency.

if imposed VMT no penalty.



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 prior to fiscal year 2002. For fiscal year 2002 and thereafter, if the nonattainment boundaries change as a result of new national ambient air quality standards, such boundaries would be used under this section.

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) 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 (g) strikes this hold harmless language as no longer necessary.

CMAQ
1/31/97/3:05pm

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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

Dear Colleague:

I am writing to request your support for legislation that I plan to introduce. The "Highway Trust Fund Reform Act of 1997" ensures that the taxes deposited into the highway trust fund (HTF) will be spent for their intended purpose.

The Budget Enforcement Act of 1990 split the Federal budgeting process into two categories, one for receipts and mandatory spending and the other for discretionary spending. Each budget category has its own rules, procedures, and incentives. The HTF is split between the two categories in a way that severs the link between HTF taxes and transportation spending.

Particularly problematic is the fact that HTF taxes and other revenues are in the mandatory category, but almost all highway spending is in the discretionary category. This split is inconsistent with the purposes of the HTF, namely that Highway Trust Fund revenues should be used to finance transportation spending.

Under the current budgetary rules for mandatory programs, increased HTF taxes do not make room in the budget for increased transportation spending. Under the rules, the only way to fund highways at the level of HTF tax receipts is by cutting other discretionary programs, such as law enforcement and education. And since cuts in highway spending make room for increases in other discretionary spending, there is an incentive to cut highway spending below the level of HTF tax receipts.

My proposal would re-establish the link between the HTF taxes and transportation spending by putting the HTF revenues and spending in the same budget category. "The Highway Trust Fund Reform Act of 1997" would transfer all of the HTF receipts and outlays into a new budget category that reflects the unique, revenue-constrained nature of the HTF. This new category, called the Revenue Constrained Fund (RCF), would have its own budget rules to ensure that highway programs are fully-funded but deficit neutral. Attachment A to this letter provides more detail on my proposal.

The "Highway Trust Fund Reform Act of 1997" is a forward looking bill. It is consistent with achieving a balanced Federal budget by 2002, it does not take the HTF off-budget, and it does not attempt to spend the balances that have accumulated or the interest on those balances. There are good arguments on both sides about whether we should attempt to spend the balances that have accumulated. This proposal does not attempt to resolve these arguments of the past, but instead creates a workable process for the future. I hope you will join me as a cosponsor of this important bill.

If you would like to be a cosponsor of this legislation, or have any questions about the proposal, please contact me or have your staff contact Dan Corbett at (4-7863).

JHC

Additional Information on Revenue Constrained Fund Proposal

- ▶ Under this proposal, spending from the Highway Trust Fund would be equal to the HTF tax receipts collected for the prior year. Spending would be limited to tax receipts in the prior year to guarantee that Highway Trust Fund spending would never exceed actual receipts.
- ▶ This RCF program is consistent with achieving a balanced budget by 2002 because it comes with a built-in cap -- the revenue received from Highway Trust Fund taxes. If tax receipts into the HTF are less than expected, highway spending would be constrained, making the HTF deficit-neutral.
- ▶ The RCF proposal would not mean the HTF would become a new, uncontrollable entitlement without policy oversight. Spending authority would continue to be provided in multi-year authorization bills.
- ▶ This proposal does not attempt to remove Highway Trust Fund programs from the Appropriations Committee's Jurisdiction. Under the RCF proposal, all programs that are substantively controlled by the Appropriations Committee would remain subject to its control. In effect, the Appropriations Committee would control a portion of this new RCF budget category. Although the Appropriations Committee would not be constrained by the discretionary spending caps, they would be constrained by the revenue coming into the HTF.

TITLE V INFRASTRUCTURE CREDIT

Department of the Treasury. Credit provisions generally must be revised to: (1) limit eligibility to borrowers unable to obtain credit elsewhere on reasonable terms; (2) conform interest rate formulas to standard Treasury language; (3) conform them to the requirements of OMB Circular A-129; (4) clarify that DOT's estimates of loan subsidy costs are subject to review and revision by OMB; (5) establish annual appropriations control over all credit extended under the bill, and over any use of Highway Trust Fund to pay for subsidy costs to appropriations control.

Proposed Flexible Payment Loans must be revised to eliminate any subordination of the Federal interest to that of other creditors.

Proposed Standby Lines of Credit must be revised to eliminate the right of borrowers to use funds borrowed from the Federal government to service their debt to the Federal government.

Proposed Development Cost Insurance must be revised to (1) explicitly prohibit use of Federal funds to pay principal or interest; (2) establish a dollar limitation on loans; and (3) provide a sunset date for the program.

TITLE VI RESEARCH

Intelligent Transportation Systems

Department of Justice. Amend to include environmental factors in program priorities.

National Technology Deployment Initiatives

Environmental Protection Agency. Amend deployment goals to include explicit environmental references.

Advanced Transportation Research and Development

Department of Defense. Suggests minor revisions to take account of DOD needs and responsibilities.

Bureau of Transportation Statistics.

Department of Commerce. Proposed technical amendments.

Department of Justice. Suggestions requiring no apparent changes to bill.

TITLE VII REVENUE

Commuter Benefit

Department of the Treasury. Objects to “parking cashout” proposal in principle, and to language relating to “cafeteria plans” in particular. (If required to submit to such a proposal, Treasury advises informally that the version in last year’s Balanced budget bill is less unacceptable.)

Environmental Protection Agency. Proposes revisions to section-by-section analysis to remove “ambiguities.”

Boat Safety Account

Department of the Interior. Opposes increasing the “cap” on funds transferred to the Boat Safety Account from the Aquatic Resources Trust fund from \$70 million to \$90 million.

PROPOSED ADDITIONAL PROVISIONS

Environmental Protection Agency.

-- Environmentally Damaged Areas (“Brownfields”). Absent inclusion of legislative language, DOT should issue improved guidance promoting transportation routing through and development in brownfields.

-- Wetlands Restoration. Eligibility of wetlands restoration projects for funding from the Highway Trust Fund should be expanded either through clarification of existing law, or statutory change.

-- Global Climate Change. A \$500 million incentive fund should be established to reward States which significantly reduce total vehicle miles traveled.

Department of Justice.

-- Global Climate Change. Several proposed changes to bill to reduce negative transportation impacts on global climate change.

-- Brownfields. Amend to require consideration of Brownfields in routing transportation projects.

Department of Labor.

-- Amend the existing Highway Davis-Bacon provision to cover all construction funded out of the Highway Trust Fund.

Sustainable Transportation Pilot Initiative. ?

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U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

OFFICE OF THE ASSISTANT SECRETARY FOR TRANSPORTATION POLICY

Number of Pages including this Page: 20Date: May 13, 1997

TO: Dorothy Robyn 456-2223 NEC
Linda Lance 456-6546 CEQ
Cynthia Rice 456-7431 DPC
Andy Blocker 456-2604 White House Leg. Affairs
Dan Tate 456-2604 White House Leg. Affairs
David Gardiner 260-0275 EPA

JOHN N. LIEBER

FROM: DEPUTY ASSISTANT SECRETARY
FOR TRANSPORTATION POLICY

(202) 366-4450

FAX: (202) 366-7127

FAX MESSAGE:

NEXTEA letters, originals to Shuster, Oberstar, Chafee, and Baucus. Distributed on May 9 (faxed to House) and 12.

Courtesy copies sent to all committee members, including House Commerce (not on cc: list).

Janno



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

May 9, 1997

The Honorable John Chafee
Chairman, Committee on
Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Under your leadership, the Environment and Public Works Committee is moving quickly to develop legislation for the reauthorization of Federal surface transportation programs. The Clinton Administration strongly supports timely reauthorization of ISTEA and you and your colleagues are to be commended for your hard work. We are looking forward to working with you to develop a reauthorization bill consistent with the commitment to a balanced budget with balanced values expressed by President Clinton and agreed to by congressional negotiators.

It has been the Department's privilege to implement ISTEA -- visionary legislation that forever changed the direction of American transportation policy. It is essential that reauthorization legislation maintain the flexible, sustainable, results-oriented approach to transportation taken by ISTEA. As you know, on March 12 the President announced the Administration's comprehensive reauthorization proposal, the National Economic Crossroads Transportation Efficiency Act of 1997 (NEXTEA). We appreciate that you, along with Senator Moynihan, have introduced NEXTEA as S. 468. As the President said in announcing his reauthorization proposal, "NEXTEA does the old-fashioned work of investing in America's infrastructure in a very important way, but it also ties those investments to the challenges we face today and tomorrow." NEXTEA will strengthen core infrastructure investment programs essential to assuring our economic future, providing a 30 percent increase in funding for those programs over ISTEA levels. Investment at these levels will assure the preservation and maintenance of the unparalleled transportation infrastructure that America has built over the last century. But NEXTEA also addresses the other challenges facing America's transportation system, including: protecting the environment; improving safety; and speeding welfare recipients' transition to work. NEXTEA also continues basic, longstanding labor standards in the transportation program, which provide American workers with fundamental protections. And NEXTEA provides greater flexibility for states and localities to target funds to projects that best meet community needs.

I appreciate the serious attention the Committee is giving to these proposals. Now, as you move toward finalizing legislation for Committee consideration, I want to underscore the importance the President and his entire Administration place on several key elements of NEXTEA.

Protecting the Environment

As President Clinton said on March 12, ISTEA reauthorization "is one of the most important pieces of environmental legislation that will be considered by Congress in the next two years." ISTEA has been an effective tool in the national effort to reduce air and water pollution, to preserve wetlands and open space, and to make transportation facilities more compatible with the environment. The Congestion Mitigation and Air Quality (CMAQ) and the Transportation Enhancements (TE) programs have contributed tremendously to that success. ISTEA authorized an average of \$1 billion annually for CMAQ to help communities achieve healthy air for their citizens. This funding has been used for a range of innovative projects -- everything from cleaner fuel buses in Boise, Idaho, and construction of bicycle lanes in Missoula, Montana, to a telecommuting pilot program in Alexandria, Virginia, to emissions inspection and maintenance programs in Rhode Island and other states. Currently, CMAQ eliminates 48,000 tons of volatile organic compounds (VOCs) and 60,000 tons of nitrogen oxides each year -- key components of smog -- as well as 316,000 tons of carbon monoxide. These figures will rise as the many CMAQ projects just completed or now under construction begin delivering benefits.

Our NEXTEA bill proposes to continue and expand on the success of CMAQ by increasing authorized funding by 30 percent, by expanding eligibility to cover additional pollutants, and by ensuring that no state loses CMAQ funds as a result of potential changes in air quality standards. CMAQ is an important way for the Federal government to be a partner in helping areas achieve Federal clean air standards and reduce traffic congestion. We also know, through our extensive outreach efforts, that the Federal investment in enhancements has gone a long way to preserving and revitalizing community transportation facilities that are an important part of America's heritage. The increased funding levels proposed in NEXTEA are essential to continue these successful efforts.

The Administration strongly opposes proposals to permit CMAQ and TE funds to be shifted to other categories. CMAQ is already the most flexible of all Federal transportation funding programs: it permits states and metropolitan areas to invest in virtually any project, regardless of mode, that helps states and localities to achieve applicable clean air goals. Transportation Enhancements funds have supported a broad range of projects that strengthen the cultural, aesthetic and environmental aspects of our transportation system. We strongly urge the Committee to maintain these successful programs intact, and would oppose proposals to dilute funding for them or permit diversion to other programs.

Safety

NEXTEA includes a variety of initiatives to improve the safety of our transportation system. As the President has said, "[i]f there is one thing we can do to save thousands of American lives, it is to increase seat belt use nationwide." We strongly urge substantial funding for state and local programs to increase seat belt usage and to reduce drunk and drugged driving. The bill must also include additional strong incentives for states to raise safety belt usage. Recently, the President set a national goal of 85 percent usage by 2000. Our proposal would require states either to achieve this goal by FY 2003 or to adopt a primary seat belt law. States that fail to satisfy either of these requirements would have a portion of their highway construction funds transferred to safety programs. We cannot stand idly by while auto crashes continue to wreak havoc on our families and our economy.

At the same time, it is also essential that Congress assure continued high funding levels for physical safety improvements to our transportation facilities. Under ISTEA, the safety set-aside within the STP program has helped to make improvements to shoulders, pavement and guardrails, for example, on thousands of miles of roadways. These funds have also been used to improve railroad grade crossings, reducing deaths at such facilities nationwide. We cannot afford to let up in this effort to make our roadways safer, and urge the Committee to maintain this successful program -- as NEXTEA does within the new Integrated Safety Program.

Welfare to Work

I know that you share the President's commitment to the success of welfare reform. However, few welfare recipients own cars and existing transportation services frequently do not provide adequate connections to areas with concentrations of available jobs. One study in Cleveland, for example, found that more than half of available entry level jobs were not reachable in an 80 minute transit commute under existing conditions. Reauthorization legislation must provide state and local government with new tools, including dedicated funding, to address this challenge.

Disadvantaged Business Enterprise (DBE) program

Historically, minority and women-owned businesses have been underinvolved in the highway and transit construction industries. The Disadvantaged Business Enterprise (DBE) program sets a goal that at least 10 percent of the funds authorized for Federal highway and transit projects are to be contracted with small business concerns owned and controlled by socially and economically disadvantaged individuals, including women-owned business enterprises. The Department, through a proposed rule to be issued in the very near future, is tailoring key provisions of its DBE rule in response to the Supreme Court's decision in *Adarand v. Peña*. I cannot emphasize enough the importance of Congress continuing current DBE statutory provisions. Discrimination is still an obstacle to the full participation of these firms in the economy. Absent the DBE program, the gains they have made in transportation-related business could well be lost.

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The Office of Management and Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this letter for the consideration of the Congress. An identical letter has been sent to Senator Max Baucus. A similar letter has been sent to the Chairman of the House Committee on Transportation and Infrastructure with copies to the Ranking Minority Member, Chairman of the Subcommittee on Surface Transportation, and the Ranking Minority Member of that subcommittee.

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Sincerely,



Rodney E. Slater

cc: The Honorable John Warner, Chairman, Committee on Environment and Public Works,
Transportation and Infrastructure Subcommittee
The Honorable John McCain, Chairman, Committee on Commerce, Science and
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The Honorable Ernest Hollings, Ranking Minority Member, Committee on Commerce,
Science and Transportation
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Affairs
The Honorable Paul Sarbanes, Ranking Minority Member, Committee on Banking,
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The Honorable Daniel Patrick Moynihan



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

May 9, 1997

The Honorable Max Baucus
Ranking Minority Member
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

Under your leadership, the Environment and Public Works Committee is moving quickly to develop legislation for the reauthorization of Federal surface transportation programs. The Clinton Administration strongly supports timely reauthorization of ISTEA and you and your colleagues are to be commended for your hard work. We are looking forward to working with you to develop a reauthorization bill consistent with the commitment to a balanced budget with balanced values expressed by President Clinton and agreed to by congressional negotiators.

It has been the Department's privilege to implement ISTEA -- visionary legislation that forever changed the direction of American transportation policy. It is essential that reauthorization legislation maintain the flexible, sustainable, results-oriented approach to transportation taken by ISTEA. As you know, on March 12 the President announced the Administration's comprehensive reauthorization proposal, the National Economic Crossroads Transportation Efficiency Act of 1997 (NEXTEA). We appreciate that Chairman Chafee and Senator Moynihan have introduced NEXTEA as S. 468. As the President said in announcing his reauthorization proposal, "NEXTEA does the old-fashioned work of investing in America's infrastructure in a very important way, but it also ties those investments to the challenges we face today and tomorrow." NEXTEA will strengthen core infrastructure investment programs essential to assuring our economic future, providing a 30 percent increase in funding for those programs over ISTEA levels. Investment at these levels will assure the preservation and maintenance of the unparalleled transportation infrastructure that America has built over the last century. But NEXTEA also addresses the other challenges facing America's transportation system, including: protecting the environment; improving safety; and speeding welfare recipients' transition to work. NEXTEA also continues basic, longstanding labor standards in the transportation program, which provide American workers with fundamental protections. And NEXTEA provides greater flexibility for states and localities to target funds to projects that best meet community needs.

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As President Clinton said on March 12, ISTEA reauthorization "is one of the most important pieces of environmental legislation that will be considered by Congress in the next two years." ISTEA has been an effective tool in the national effort to reduce air and water pollution, to preserve wetlands and open space, and to make transportation facilities more compatible with the environment. The Congestion Mitigation and Air Quality (CMAQ) and the Transportation Enhancements (TE) programs have contributed tremendously to that success. ISTEA authorized an average of \$1 billion annually for CMAQ to help communities achieve healthy air for their citizens. This funding has been used for a range of innovative projects -- everything from cleaner fuel buses in Boise, Idaho, and construction of bicycle lanes in Missoula, Montana, to a telecommuting pilot program in Alexandria, Virginia, to emissions inspection and maintenance programs in Rhode Island and other states. Currently, CMAQ eliminates 48,000 tons of volatile organic compounds (VOCs) and 60,000 tons of nitrogen oxides each year -- key components of smog -- as well as 316,000 tons of carbon monoxide. These figures will rise as the many CMAQ projects just completed or now under construction begin delivering benefits.

Our NEXTEA bill proposes to continue and expand on the success of CMAQ by increasing authorized funding by 30 percent, by expanding eligibility to cover additional pollutants, and by ensuring that no state loses CMAQ funds as a result of potential changes in air quality standards. CMAQ is an important way for the Federal government to be a partner in helping areas achieve Federal clean air standards and reduce traffic congestion. We also know, through our extensive outreach efforts, that the Federal investment in enhancements has gone a long way to preserving and revitalizing community transportation facilities that are an important part of America's heritage. The increased funding levels proposed in NEXTEA are essential to continue these successful efforts.

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

Identical letter sent to:
The Honorable Bud Shuster
Chairman
Committee on Transportation &
Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

May 9, 1997

The Honorable James Oberstar
Ranking Minority Member
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Oberstar:

Under your leadership, the Transportation and Infrastructure Committee is moving quickly to develop legislation for the reauthorization of Federal surface transportation programs. The Clinton Administration strongly supports timely reauthorization of ISTEA and you and your colleagues are to be commended for your hard work. We are committed to working with you to develop a reauthorization bill consistent with the commitment to a balanced budget with balanced values expressed by President Clinton and agreed to by Congressional negotiators last week.

It has been the Department's privilege to implement ISTEA -- visionary legislation that forever changed the direction of American transportation policy. It is essential that reauthorization legislation maintain the flexible, sustainable, results-oriented approach to transportation taken by ISTEA. As you know, on March 12 the President announced the Administration's comprehensive reauthorization proposal, the National Economic Crossroads Transportation Efficiency Act of 1997 (NEXTEA). We appreciate that you, along with Chairman Shuster, have introduced NEXTEA by request as H.R. 1268. As the President said in announcing his reauthorization proposal, "NEXTEA does the old-fashioned work of investing in America's infrastructure in a very important way, but it also ties those investments to the challenges we face today and tomorrow." NEXTEA will strengthen core infrastructure investment programs

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cc: The Honorable Tom Petri, Chairman, Surface Transportation Subcommittee
The Honorable Nick Rahall, Ranking Minority Member



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

Identical letter sent to:
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Committee on Transportation &
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May 9, 1997

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The Honorable Nick Rahall, Ranking Minority Member

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: _____

NEXTEA

THE NATIONAL ECONOMIC CROSSROADS TRANSPORTATION EFFICIENCY ACT

KEY ENVIRONMENTAL PROVISIONS



MAY 7, 1997

PROTECTING THE ENVIRONMENT

We have made tremendous progress over the past generation in preserving and improving America's environment, but we still have much to do. ISTEA helped us to start the job by giving us the tools to protect our environment even as we create a transportation system that enables our economy to compete abroad and to create jobs at home. NEXTEA would build on ISTEA's success: as the President said when he announced NEXTEA, "make no mistake about it, this is one of the most important pieces of environmental legislation that will be considered by Congress in the next two years."

- ☐ NEXTEA would increase by 30 percent, to \$1.3 billion annually, funding to help states and communities clean their air, and expands the eligibility for such funding to include regions that fail to meet any new clean air standards.
- ☐ NEXTEA would increase by 35 percent funding to make communities more livable through "transportation enhancement" projects that protect the cultural, aesthetic, and recreational aspects of our transportation system.
- ☐ NEXTEA would provide greater flexibility for communities to invest in such sustainable forms of transportation as transit, bicycle and pedestrian facilities, Amtrak, and publicly-owned intercity rail terminal projects. NEXTEA also would simplify federal transportation planning requirements and emphasize public involvement in decision-making.
- ☐ NEXTEA would sustain the record levels of transit funding achieved under President Clinton.
- ☐ NEXTEA would provide flexibility and incentives for states and communities to meet their highway capacity needs by investing in technology as an environmentally-friendly and cost-effective alternative to new construction.

CLEANING OUR AIR

Scientific research demonstrates the effects of air pollution on our health, and President Clinton has taken advantage of ISTEA's landmark environmental provisions to cut pollution. In 1990, the year before ISTEA's enactment, 140 million Americans lived in areas which failed to meet standards for healthful air. That number dropped to 79 million in 1995: still too many, but a big improvement.

However, growing traffic threatens to reverse the improvements made through ISTEA programs and through cleaner cars and cleaner fuels. We have to continue, and even expand, efforts to improve technology and to reduce vehicle miles of travel, and NEXTEA does this.

ISTEA SUCCESSES

- ✓ The Congestion Mitigation and Air Quality Improvement Program (CMAQ) authorized an average of \$1 billion annually under ISTEA to help states and communities clean up their 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 station, a freight barge which daily takes hundreds of trucks off of New York's streets, and an inspection and maintenance program in Indiana, which ensures that auto emissions systems continue to cut pollution.
- ✓ Each year CMAQ currently eliminates 48,000 tons of volatile organic compounds (VOCs) and 60,000 tons of nitrogen oxides, key components of smog, as well as 316,000 tons of carbon monoxide.

KEY NEXTEA PROVISIONS

- NEXTEA would increase authorized 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. Finally, NEXTEA would ensure that no state loses CMAQ funds as a result of proposed enhancements of air quality standards.
- CMAQ will help states and communities fund projects necessary to satisfy federal air quality requirements.

ENHANCING THE ENVIRONMENT

Although mitigating the impacts of transportation projects and making them more compatible with our environment has been a federal priority for years, ISTEA went beyond this to actively use transportation as a way to help communities improve their quality of life. The Transportation Enhancements program has enabled states to invest nearly \$1.3 billion in such initiatives during ISTEA's first five years.

ISTEA SUCCESSES

- ✓ Transportation enhancement activities include bicycle and pedestrian facilities, enhancements to scenic or historic sites and highways, historic preservation, landscaping, preservation of former rail rights-of-way, control of outdoor advertising, and mitigation of highway runoff pollution.
- ✓ Among the projects states have supported are the redevelopment of Lafayette, Indiana's historic railway terminal as an intermodal transportation center; construction of bicycle-pedestrian paths in Kalama, Washington; highway landscaping projects in Columbus, Ohio; the acquisition of scenic easements in Kaneohe, Hawaii; and the conversion of Springfield, Massachusetts' abandoned waterfront into bicycle and pedestrian walkways.

KEY NEXTEA PROVISIONS

- NEXTEA would fund projects with a 10 percent set-aside from each state's Surface Transportation Program funds, and increase total Transportation Enhancements funding authorizations by more than 30 percent. The activities currently eligible would remain so, and NEXTEA would clarify that enhancement activities must be related to surface transportation.

SUSTAINING OUR COMMUNITIES

Communities must be able to choose the projects which best meet their needs if they are to have a balanced, sustainable transportation system. Ensuring that requires a strong and inclusive transportation planning and decision-making process which considers environmental factors and which provides ample opportunity for public input.

ISTEA SUCCESSES

- ✓ ISTEА strengthened the role of cities in transportation planning, and enhanced public participation has helped to build community consensus for transportation projects.
- ✓ ISTEА's increased flexibility among funding programs has enabled states to transfer more than \$3 billion from highway programs to transit, and supported programs ranging from bicycle and pedestrian projects to wetlands mitigation.
- ✓ New programs for recreational trails and scenic byways have greatly improved Americans' quality of life and supported tourism.

KEY NEXTEA PROVISIONS

- NEXTEA would provide \$5 billion annually in direct transit funding and increase flexible funding which could be transferred to transit. Projects such as improvements to Amtrak and to publicly-owned intercity public rail and bus terminals would be eligible for funding, and bicycle and pedestrian projects would continue to be broadly eligible.
- NEXTEA would simplify federal transportation planning requirements, encourage linkages with land use and other related forms of planning, and further strengthen the role of central cities in regional planning.
- NEXTEA would enhance key environmental programs, broadening the eligibility for wetlands habitat preservation activities and increasing states' flexibility under the Recreational Trails program.
- NEXTEA would continue the All-American Roads and National Scenic Byways programs, and continue funding for planning, designing and developing state scenic byway programs.
- NEXTEA would support innovative initiatives to promote community-friendly transportation, such as provisions encouraging businesses to offer their employees transit subsidies as well as free parking and a program to demonstrate how pricing policies can encourage more efficient travel.

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 ISTEA Climate Change issues

You are invited to a meeting at **noon today** in **room 2010 NEOB** to discuss EPA's proposal on ISTEA/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.

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.

<Blank>

Divider Title: _____

Comparison of Highway Spending Options

06-May-97

06:36 PM

BRB:ELR

G:\98DEAL\CHAFBD3 wk4

(dollars in millions)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FYs 1998 - 2002
President's Budget for Programs Funded from the Highway Account (HA) of the Highway Trust Fund (HTF):						
Policy:						
Obligations.....	21,183	21,026	20,762	20,603	20,499	104,073
Outlays.....	20,842	20,845	20,805	20,581	20,450	103,523
Options:						
Fund Chafee-Bond Assuming Administration's Proposed Program Mix:						
Obligations.....	718	1,127	1,731	2,603	3,147	9,326
Outlays.....	107	548	971	1,522	2,203	5,351
Mechanical Distribution of \$6 B in OLs in "5/5 Agreement:"						
Obligations.....	1,700	1,717	1,734	1,752	1,769	8,672
Outlays.....	254	1,156	1,445	1,539	1,604	5,998
\$2 B Annual Increase in Obligation Limitation:						
Obligations.....	2,000	2,000	2,000	2,000	2,000	10,000
Outlays.....	298	1,357	1,682	1,777	1,834	6,948
Modified Policy Funding General Fund Highways But Not AMTRAK From HTF:						
Obligations.....	1,485	1,972	2,536	3,395	3,974	13,362
Outlays.....	222	1,080	1,664	2,240	2,938	8,144
Modified Policy -- Without Funding Any New Programs (e.g. General Fund Hwy or AMTRAK) from the HTF:						
Obligations.....	2,131	2,555	3,119	3,862	4,441	16,108
Outlays.....	319	1,509	2,164	2,743	3,396	10,131
Funding Higher Than Any Option Shown Above if: (1) 4.3 Cents Were Transferred to the HTF, and (2) Chafee-Bond Were Enacted:						
Obligations.....	---	6,639	6,784	7,021	7,192	27,636
Outlays.....	---	991	4,526	5,720	6,207	17,444

Note: All analysis assumes additional obligational authority is applied to the Federal-aid account.

MEMORANDUM:

FEMA Funding for Northridge:

Budget Authority.....	2,388	---	---	---	---	2,388
Outlays.....	955	955	478	---	---	2,388

May 7, 1997

-- ISTEA REAUTHORIZATION --
Coalitions by State

<u>States</u>	<u>Bills</u>
Alabama	STEP - 21
Alaska	
Arizona	Devolution
Arkansas	STEP - 21 (Hutchinson)
California	ISTEA Works
Colorado	
Connecticut	ISTEA Works
Delaware	ISTEA Works
Florida	STEP - 21 (Graham) Devolution (Mack, Graham)
Georgia	STEP - 21
Hawaii	ISTEA Works
Idaho	STARS 2000
Illinois	ISTEA Works
Indiana	STEP - 21 (Coats, Lugar) Devolution (Coats)
Iowa	STARS 2000
Kansas	STARS 2000 (Roberts)
Kentucky	STEP - 21
Louisiana	STEP - 21
Maine	ISTEA Works
Maryland	ISTEA Works
Massachusetts	ISTEA Works
Michigan	Devolution
Minnesota	STEP - 21 (Grams)
Mississippi	STARS 2000 (Cochran)
Missouri	STEP - 21 (Bond)
Montana	STARS 2000

Nebraska	STARS 2000
Nevada	
New Mexico	STARS 2000 (Bingaman)
New Jersey	ISTEA Works
New York	ISTEA Works
New Hampshire	ISTEA Works
North Carolina	STEP - 21
North Dakota	STARS 2000
Ohio	Devolution (DeWine)
Oklahoma	STEP - 21 Devolution
Oregon	ISTEA Works (Wyden)
Pennsylvania	ISTEA Works
Rhode Island	ISTEA Works
South Carolina	STEP - 21 (Hollings, Thurmond) Devolution (Thurmond)
South Dakota	STARS 2000
Tennessee	
Texas	STEP - 21
Utah	
Vermont	ISTEA Works
Virginia	STEP - 21
Washington	ISTEA Works (Murray)
West Virginia	ISTEA Works
Wisconsin	
Wyoming	STARS 2000

-- ISTEA REAUTHORIZATION --
Bill Co-Sponsorships

All Senators

ISTEA Works (32)

Akaka - Inouye
Biden - Roth
Boxer - Feinstein
Byrd - Rockefeller
Chafee - Reed
Collins - Snowe
D'Amato - Moynihan
Dodd - Lieberman
Durbin - Moseley-Braun
Gregg - Smith
Jeffords - Leahy
Kennedy - Kerry
Lautenberg - Torricelli
Mikulski - Sarbanes
Murray
Santorum - Specter
Wyden

Hawaii
Delaware
California
West Virginia
Rhode Island
Maine
New York
Connecticut
Illinois
New Hampshire
Vermont
Massachusetts
New Jersey
Maryland
Washington
Pennsylvania
Oregon

STEP - 21 (24)

Bond
Breaux - Landrieu
Cleland - Coverdell
Coats - Lugar
Faircloth - Helms
Ford - McConnell
Graham
Gramm - Hutchison
Grams
Hollings - Thurmond
Hutchinson
Inhofe - Nickles
Robb - Warner
Sessions - Shelby

Missouri
Louisiana
Georgia
Indiana
North Carolina
Kentucky
Florida
Texas
Minnesota
South Carolina
Arkansas
Oklahoma
Virginia
Alabama

STARS 2000 (17)

Baucus - Burns
Bingaman
Cochran
Craig - Kempthorne
Daschle - Johnson
Dorgan - Conrad
Enzi - Thomas
Grassley - Harkin
Hagel - Kerrey
Roberts

Montana
New Mexico
Mississippi
Idaho
South Dakota
North Dakota
Wyoming
Iowa
Nebraska
Kansas

Devolution (11)

Abraham - Levin
Coats
DeWine
Graham - Mack
Inhofe - Nickles
Kyl - McCain
Thurmond

Michigan
Indiana
Ohio
Florida
Oklahoma
Arizona
South Carolina

NEXTEA (2)

Chafee
Moynihan

Rhode Island
New York

May 7, 1997

-- ISTEA REAUTHORIZATION --
Bill Co-Sponsorships

Democratic Senators

ISTEA Works (22)

Akaka - Inouye
Biden
Boxer - Feinstein
Byrd - Rockefeller
Reed
Moynihan
Dodd - Lieberman
Durbin - Moseley-Braun
Leahy
Kennedy - Kerry
Lautenberg - Torricelli
Mikulski - Sarbanes
Murray
Wyden

Hawaii
Delaware
California
West Virginia
Rhode Island
New York
Connecticut
Illinois
Vermont
Massachusetts
New Jersey
Maryland
Washington
Oregon

Uncommitted (7)

Bryan
Bumpers
Feingold
Glenn
Kohl
Reid
Wellstone

STEP - 21 (7)

Breaux - Landrieu
Cleland
Ford
Graham
Hollings
Robb

Louisiana
Georgia
Kentucky
Florida
South Carolina
Virginia

STARS 2000 (7)

Baucus
Bingaman
Daschle - Johnson
Dorgan - Conrad
Harkin
Kerrey

Montana
New Mexico
South Dakota
North Dakota
Iowa
Nebraska

Devolution (2)

Levin
Graham

Michigan
Florida

UNITED STATES SENATE

Washington, D.C. 20510

105th CONGRESS

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Senator		Suite	Phone	Senator		Suite	Phone
Vice President			4-2424	HUTCHINSON, Tim	(R-AR)	SH-708	4-2353
GORE, Al				HUTCHISON, Kay Bailey	(R-TX)	SR-283	4-5922
ABRAHAM, Spencer	(R-MD)	SD-329	4-4822	INHOFE, James M.	(R-OK)	SR-453	4-4721
AKAKA, Daniel K.	(D-HI)	SH-720	4-6361	INOUE, Daniel K.	(D-HI)	SH-722	4-3934
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GORTON, Slade	(R-WA)	SH-730	4-3441	SPECTER, Arlen	(R-PA)	SH-711	4-4254
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GREGG, Judd	(R-NH)	SR-393	4-3324	TORRICELLI, Robert G.	(D-NJ)	SD-113	4-3224
HAGEL, Chuck	(R-NE)	SD-B40-3	4-4224	WARNER, John W.	(R-VA)	SR-225	4-2023
HARKIN, Tom	(D-IA)	SH-731	4-3254	WELLSTONE, Paul	(D-MN)	SH-136	4-5641
HATCH, Orrin G.	(R-UT)	SR-131	4-5251	WYDEN, Ron	(D-OR)	SH-717	4-5244
HELMS, Jesse	(R-NC)	SD-403	4-6342				
HOLLINGS, Ernest F.	(D-SC)	SR-125	4-6121				

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MARCH 15, 1988

32 = FRL/DM/JIL B:11

240 = STEP-21

17 = STARS 2000

11 = Devolution

CLINTON ADMINISTRATION
ISTEA REAUTHORIZATION PRIORITIES

I. COMMITMENT TO SAFETY

II. COMMITMENT TO THE ENVIRONMENT

CMAQ
TRANSPORTATION ENHANCEMENTS

III. WELFARE TO WORK

IV. INNOVATIVE FINANCING

V. TECHNOLOGY

VI. DBEs

VII. LABOR PROTECTIONS

5-8-97 Senate Mtg ISTEA

Tom Daschle (TD)
Pat Moynihan (PM)
De Leiber (DL)
Dick Reed (DR)
Max Baucus (MB)
Frank Lautenberg (FL)

Jack Reed - NE - "Heart + soul of Democratic Caucus"
need environmental quality in bill

PM - History of ISTEA
bipartisan
Administration sent up the same bill
34 Cosponsors
More \$ in Budget
NE, W, South
Lamar, Graham

There is enough \$ to go around

TD ~~bill~~ When do you expect bill to move.
August?

PT. Sooner than that, wait for the budget

DL ISTEA works,

JL cash - Most important bill to CT in the 105th Congress

MB - (1) Not wise to make this a partisan issue.
There are more of ~~us~~ them than us

(2) My intent to make sure that every state gets treated fairly.
That will happen in conference, I will be on the conference.
In the end, it will be how much \$ did my state get.

(3) I had CMAQ in my bill.

The House will be a NE bill (Shuster)

MB - West gets no mass transit \$

FL - ~~Each~~ each state can choose.

MB - You have your arguments, we have ours

TD - Is it your preference to wait until conference
to work this out

MB - No, I suggest that Dems suggest an
amendment to boost Transportation Account.
It could be a good Democratic jobs amendment.

FL - \$ - 7 on top of ~~pass~~, not baseline
not enough

TD - What procedure do you suggest

JL - See if we can negotiate an agreement between
2 Democratic groups.

Boxer, Brown, Wyder, summary, important to, re-elect
Environmentalists are strongly behind on bill

TD - Should not include stop 21 groups in negotiations?

JL - give them any extra \$.

JL -
JR -
TD -

THE WHITE HOUSE
WASHINGTON

Agenda
NEXTEA AFL-CIO Legislative Briefing
Friday, May 9, 1997
OEOB, Room 180, 1:00 p.m.

WELCOME AND INTRODUCTION

Steve Palmer

U.S. Department of Transportation

OVERVIEW OF NEXTEA PRIORITIES

Administration - *Steve Palmer*

Support for retaining ISTEA program structure

Continued ability to flex funds from highway to transit

Retaining integrity of CMAQ and transportation enhancements

Labor

Peggy Taylor - AFL-CIO

Ed Wytkind - Transportation Trades

Tim Nichols - Building Trades

Support for Protection of Worker Rights: 13(c), Davis-Bacon

SIB's and Davis-Bacon

Affirmative Action and Non-discrimination

Funding for training and apprenticeship programs

BUDGET UPDATE

Andy Blocker

White House Legislative Affairs

OTHER ISSUES

House and Senate ISTEA Legislative Agendas

Administration and Labor Points of Contact by

ADJOURN

THE WHITE HOUSE
WASHINGTON

Agenda
White House Briefing on NEXTEA
Wednesday, May 7, 1997
Roosevelt Room, 10:00 a.m.

WELCOME AND INTRODUCTION

Jane Garvey
Deputy Administrator
Federal Highway Administration

REMARKS

ENVIRONMENTAL BENEFITS OF NEXTEA

Kathleen McGinty
Chair, Counsel on Environmental Quality

CLEAN AIR BENEFITS OF NEXTEA

David Gardiner
Assistant Administrator for Policy, Planning and Evaluation
U.S. Environmental Protection Agency

BENEFITS OF NEXTEA FOR CITIES AND COUNTIES

Hon. Kurt Schmoke
Mayor of Baltimore, Maryland

NEXTEA AND LOCAL LAND USE PLANNING

Hank Dittmar
Director, Surface Transportation Project

Hon. Albert Gore, Jr.
Vice President of the United States

QUESTIONS AND COMMENTS

THE WHITE HOUSE

WASHINGTON

Attendees

White House Briefing on NEXTEA

Wednesday, May 7, 1997

Roosevelt Room, 10:00 a.m.

Christopher Boylan
NY Metropolitan Transportation Authority

Shirley DeLibero
New Jersey Transit

Denise Earley
Southeastern Pennsylvania Transportation
Authority

Martin G. Hamberger
MGH Associates

Robert L. Healy
APTA

Deborah Swarts Lipman
DC Metropolitan Area Transit Authority

Steven J. Hewitt
NY State DOT

Hank Dittmar
Surface Transportation Policy Project

Roy Kienitz
Surface Transportation Policy Project

Nancy Willis
Surface Transportation Policy Project

Hal Hiemstra
Rail-to-Trails Conservancy

Laurie Actman
Rail-to-Trails Conservancy

Thomas Shellabarger
U.S. Catholic Conference

Carol Wayman
National Congress for Community
Development

Allen Greenberg
League of American Bicyclists

Sarah Campbell
Surface Transportation Policy Project

Marcia Frenz
American Institute of Architects

Bill Wilkinson
Bicycle Federation of America

James B. Young
Linton, Mields, Reisler & Cottone

Elizabeth Thompson
Environmental Defense Fund

Dan Costello
National Trust for Historic Preservation

Christine Burdick
International Downtown Association

Bill Magavern
Public Citizen

Emil H. Frankel
New York City Partnership and Chamber of
Commerce

James W. Clarke
Sierra Club

Janet Oakley
Association of MPO's

Timothy Lidiak
National Transportation Enhancements
Clearinghouse

Robert S. Patten
Rails-to-Trails

David Hirsch
Friends of the Earth

Leslie Wollack
American Public Works Association

Douglas Howell
Environmental and Energy Study Institute

Tom Bolger
Government Relations, Inc.

Jeffrey F. Boothe
Oppenheimer, Wolff, and Donnelly

Robert F. Willis
Catholic University Law School

Heather J. Rowe
Natural Gas Vehicle Coalition

Nicholas W. Allard
Latham and Watkins

John Hunter
Irvine Company

Beverly Marshall
Southern California Edison

David Freer
Pacific Enterprises

John Horsley
U.S. DOT

Steve Palmer
U.S. DOT

Barbara Leach
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Richard R. Kolodziej
Natural Gas Vehicle Coalition

Jane Garvey
U.S. DOT

Gordon Linton
U.S. DOT

John Lieber
U.S. DOT

Debra Alvarez
AARP

Jon Broadway
Montgomery Transportation Coalition, Inc.

Michael Repogle
Environmental Defense Fund

Julia Philpott
International Institute for Energy
Conservation

Louis Finch
The Electric Car Company

William Cahill, Esq.
Tri-State Transportation Campaign &
Rutgers Environmental Law Clinic

Lois Athey
Center For Community Change

Laura Olsen
Surface Transportation Project

Andrew Altman
Clean Air Council of Pennsylvania

Nellie Hiemstra
Rail-to-Trails

Dr. William Freeman
Alternative Fuel Works

Hon. Brian O'Neil
First Vice President
National League of Cities
Council Member
Philadelphia, PA.

Hon. Kurt Schmoke
Mayor of Baltimore, MD

Hon. Stephen DelGuidice
Council Member
Prince George's County

Sharon DeHaney
Special Assistant to the Council Member
Office of Howard County Council Member
Vernon Gray, MD

Bob Fogel
Associate Legislative Director for
Transportation and Communications
National Association of Counties

Laurie Saroff
Legislative Counsel
National League of Cities

Kelle Denise Jackson
Surface Transportation Project

Richard Westbrook
Photographer
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Kevin McCarty
Assistant Executive Director
U.S. Conference of Mayors

David Weiman
U.S. DOT

William Kelly, Jr.
Latham & Watkins

Camile H. Mittelholtz
U.S. DOT

Michael J. Savonis
U.S. DOT

James M. Shrouds
U.S. DOT

David Gardiner
U.S. EPA

Maryann Froehlich
U.S. EPA

Kenneth Adler
U.S. EPA

John Reeder
U.S. EPA

Peter Lidiak
U.S. EPA

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

Chief of Staff

400 Seventh St., S.W.
Washington, D.C. 20590**MEMORANDUM FOR:**Kitty Higgins, Secretary to the Cabinet
and Assistant to the PresidentGene Sperling, Assistant to the President and
Director, National Economic Council**FROM:**Michael Huerta
Chief of Staff**SUBJECT:**White House Briefings to Amplify President's NEXTEA
Priorities

Under Gene Sperling's leadership, the NEC has convened a NEXTEA Working Group to coordinate Administration efforts to amplify the President's priorities for his National Economic Crossroads Transportation Efficiency Act (NEXTEA) proposal. At the Working Group's last meeting, it was agreed that, as a part of this effort, four White House briefings with key constituencies would be planned to take place over the next 60 days:

- 1) **Environmental:** This would encompass both traditional environmental groups and urban constituencies with a stake in the Congestion Mitigation/Air Quality Program (CMAQ). This is a Presidential priority facing difficulties in Congress.
- 2) **Labor:** Constituencies, including construction, transit and rail unions, with a stake in the transit, highway and Amtrak investment proposed. This is planned to be a joint strategy session with AFL-CIO Transportation Trades and Building Trades legislative representatives to discuss how to assure that four key labor priorities fare well in Congress: job creation, labor protection, impacts in other industries and job training.
- 3) **Women, Civil Rights and Minorities:** Groups with a stake in the Disadvantaged Business Enterprise (DBE) program need to be educated about the major resources the President's \$175 billion proposal makes available. Federal transportation construction investment is the largest source of DBE program opportunities.
- 4) **Urban:** This would focus on constituencies with a stake in the community-building potential of NEXTEA for Empowerment Zones and Enterprise Communities, Brownfields, sustainable development, urban infrastructure investment, improved transit and livable communities. (Houston Mayor Bob Lanier, Chairman of the Rebuild America Coalition, has expressed interest to Secretary Slater in being invited to participate in such a briefing.)

DOT staff, working together with Dorothy Robyn in the NEC (456-2801), Lynn Cutler in the Office of Intergovernmental Affairs (456-2896) and Richard Hayes in the Office of Public Liaison (456-5074) are beginning the preliminary planning for these events, with the first, dealing with environmental and urban constituencies, beginning in May. In order to make it possible for principals, most of whom live outside of Washington, D.C., to make plans to attend, the maximum lead time we can work out for these events would be helpful. A list of potential dates and lead staff assignments is indicated below:

Each of these events would take place in OEOB Room 450. The participation of the President or Vice President is strongly urged wherever possible. Director of Public Liaison, Maria Echaveste, would be asked to be the convener for these briefings. White House Legislative Affairs staff will also be asked to participate.

1. Environment/CMAQ:

Date: May 7, 10-12 A.M. Roosevelt Room
Presenters: Vice President Gore (invited)
CEQ Chair McGinty
EPA Administrator Browner
FHWA Acting Administrator Garvey
Lead Staff: DOT - Janno Lieber, Transportation Policy (366-4450)
John Horsley, Governmental Affairs (366-4563)
CEQ - Linda Lance
EPA - Rob Wolcott

2. Labor:

Date: May 9, 1-2:30 P.M., Room 180, OEOB
Presenters: NEC Director Sperling
DOT Assistant Secretary Palmer
Labor Assistant Secretary Anderson
Lead Staff: DOT - Steve Palmer, Governmental Affairs (366-4573)
Janno Lieber, Transportation Policy (366-4450)
DOL - Jennifer O'Connor, Michael Wilson (219-6191)
Office of Public Liaison - Richard Hayes

3. Women, Civil Rights and Minority Groups:

Target Date: Late May (in conjunction with the release of DBE Supplemental Notice of Proposed Rulemaking, which is expected to be out within 30 days.)
Presenters: NEC Director Sperling
DOT Secretary Slater
DOJ Office of Associate Attorney General
Lead Staff: DOT - General Counsel Nancy McFadden (366-4702)
Janno Lieber, Transportation Policy (366-4450)
Office of Public Liaison - Richard Hayes

4. Urban:

Target Date: June
Presenters: NEC Director Sperling
DOT Secretary Slater
HUD Secretary Cuomo
Houston Mayor Lanier
Lead Staff: DOT - John Horsley, Governmental Affairs, (366-4563)
Office of Public Liaison - Richard Hayes
Office of Intergovernmental Affairs - Lynn Cutler
HUD - Michael Freedberg.

Once we receive your approval, we will proceed to implement the plan outlined above.

-#-

cc: Marcia Hale, Intergovernmental Affairs
Kathleen McGinty, Council on Environmental Quality
Maria Echaveste, Public Liaison
John Hilley, Legislative Affairs
Bruce Reed, Domestic Policy Council

Clinton Presidential Records Digital Records Marker

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Divider Title: _____

MOVING AMERICANS FROM WELFARE TO WORK: IMPROVING ACCESS TO JOBS AND TRAINING

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. 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.

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 is successfully providing community-sensitive transit that links transportation services with community needs.
- ✓ 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.

***MOVING AMERICANS FROM WELFARE TO WORK:
PRESIDENT CLINTON'S ACCESS TO JOBS LEGISLATIVE PROPOSAL***

- **\$600 Million in New Funds** -To support Federal, state and local welfare reform efforts, DOT's NEXTEA proposal for surface transportation reauthorization includes \$100 million annually to fund access to work transportation for welfare recipients.
- **New Flexible Transportation Services** - A new competitive grant program will assist states, local governmental authorities, and private non-profit organizations to plan and establish new transportation services targeted at linking welfare recipients to jobs. Grants are available for planning and implementation.
- **Targeted Grants** - Challenge grants will target funds based on both need and demonstrated willingness to address the transportation needs of welfare recipients. Criteria include:
 - 1) the severity of the welfare problem;
 - 2) the need for additional services to transport economically disadvantaged persons to jobs, training and other employment support services, and the extent to which proposed services will address these needs;
 - 3) existence of or willingness to establish a mechanism to coordinate transportation and human resource services planning;
 - 4) performance under other welfare reform initiatives;
 - 5) state and local share a financial commitment.
 - 6) other factors, such as:
 - coordination of existing public and employer-provided transportation service operations and long term financing strategies to support the program.
- **State and Local Partnership** - FTA will provide 50% of the project costs. Grant applicants must provide the remaining 50% match from local funding sources. Other Federal funds may be used as part of the local match.
- **Broad Eligibility** - Challenge grants may be used for a broad range of services, including:
 - Operating and capital costs for services.
 - Coordinating transit, private and human resource services.
 - Promotion of employer-provided transportation.
 - Planning and developing important support facilities at transit sites, such child care.
 - Development of financing strategies.
 - Collaborative planning activities.
 - Administrative costs.
- **Federal Technical Assistance Program** - A portion of Federal funding will be used to provide state and local grant recipients with technical assistance and to evaluation programs to ensure success and to document best practices so other communities can learn from their experience..

MOVING AMERICANS FROM WELFARE TO WORK:

Studies on the Spatial Mismatch

In his 1997 State of the Union Address, President Clinton set a goal of moving 2 million welfare recipients to work by the year 2000. But welfare recipients can't work if they can't get to work. The majority of available entry level positions are located in suburbs and exurbs -- far from urban and rural centers of poverty. Lack of convenient and affordable transportation to jobs is a major roadblock in communities all over this country. Access to jobs, training, and support services such as child care -- the "to" in "welfare to work" -- is essential to speed the transition from welfare rolls to payrolls.

Getting to work or school is difficult for welfare recipients. Nationally, just under six percent of Temporary Assistance for Needy Families (TANF) families own cars. Cutbacks in transit funding and operations have further limited their options.

Most welfare recipients live in our city centers. But half of today's jobs are located outside of central cities, and this trend is accelerating: two-thirds of all new jobs are in suburbs. Transit services are generally confined to move people within cities or from suburbs to cities. Existing services also can be inconvenient for welfare recipients, many of whom work off-hour and late night shifts. Support services such as day care and employment centers are often located far from transit lines, creating additional difficulty for parents with small children.

In the studies outlined below, the transportation systems of three cities were examined as part of broader efforts to evaluate the capacity to move the welfare population to work. They created map identifying concentration of welfare recipient residences, the location of entry-level jobs, and public transportation lines. The results present a troubling picture at best, -- half of the entry-level jobs are not accessible within a reasonable commute time.

CLEVELAND

The Cleveland metropolitan area's economy has been growing, but mostly at the outskirts. Most entry-level jobs in the region cannot be reached easily by welfare recipients from inner-city Cleveland with the current configuration of public transportation. For example, a recent study examined five downtown neighborhoods and found that the inner-city residents could only reach eight to fifteen percent of entry-level job openings by public transportation within an 80 minute transit ride. Less than 45% of entry-level jobs are accessible by this standard, leaving the other 55% of the job market completely out of reach by public transportation to Cleveland's welfare population.

CONTACT: Neil Bania
Center of Urban Poverty & Social Change, Case Western Reserve University
(216) 368-8670.

BOSTON

The Boston study, prepared by the Volpe National Transportation Systems Center, found that their highest growth areas of entry-level jobs were along Route 128, located well outside the central city. Boston has an extensive mass transportation system, TANF recipients living in

central Boston have excellent access to public transportation: 99% of recipients live within a reasonable walking distance (0.5 miles). Nevertheless job-growth areas are under-served. Just, 43% -- less than half -- of potential employers are within half a mile of transit lines.

Less than one percent of employers in high-growth areas can be reached within 30 minutes by transit from central-city poverty areas. Over 40% of employers in high-growth areas require a more than two-hour commute time. Even when a welfare recipient can make the connection to a job on public transit, other problems arise: gaps between destinations, unpredictable service and insufficient operating hours. The study does not examine these and other impediments.

CONTACT: Annalynn Lacombe
VOLPE National Transportation Systems Center
(617) 494-2161

ATLANTA

Atlanta faces many of the same challenges as Cleveland and Boston. A study by Michael Rich at Emory University of job openings advertised in one 1997 Sunday edition of the *Atlanta Journal Constitution* shows that three out of every four jobs are in the suburbs. Just under half of the entry-level jobs are within a quarter mile of a bus or rail line. The most transit-accessible jobs are those that pay less than \$15,000 per year, with roughly about two-thirds located within a quarter mile of a transit route. Less than one out of three entry-level jobs that paid more than \$15,000 a year -- those jobs most likely to enable welfare recipients to make the transition to economic self-sufficiency -- are located within a quarter mile of a transit route. (This ongoing study has not yet analyzed at travel times.)

CONTACT: Michael Rich
Emory University
(404) 727-7449

NATIONAL GOVERNORS' ASSOCIATION WELFARE TO WORK TRANSPORTATION PROJECT

- * The National Governors' Association (NGA) in cooperation with two Department of Transportation's (DOT) agencies, the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA), is awarding grants and providing technical assistance to 24 State and one territory to develop transportation strategies to support State welfare to work efforts.
- * Participating States are forming task forces, led by each State governor's office, to devise a plan of action to address the transportation issues involved with welfare reform. The groups include State transportation and human resources agencies, along with local transportation providers, community human service and business representatives. State welfare to work transportation action plans will be completed by during 1997. They are expected to place strong emphasis on coordination of existing public transportation, human service private sectors and other services to assume that welfare recipients can get to where the jobs are.
- * States were selected to participate: Alaska, Arkansas Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, Virgin Islands, Virginia, Washington, Wisconsin, and Wyoming.
- * The U.S. Department of Transportation is providing \$325,000 to support the NGA cooperative agreement.
- * The NGA/DOT program was initiated in recognition that individuals transitioning from welfare to work must largely depend on public and human services transportation to reach jobs and other employment support activities. Nationally, only 6% of welfare recipients own automobiles.
- * Today, it is difficult for welfare recipients to access existing entry level job opportunities. One study, of Cleveland metropolitan area, only about 40 percent of entry level jobs were reachable from inner city neighborhoods even with transit trips of 50 minutes.
- * Transportation is a major challenge because (1) many entry level jobs have shifted to suburban settings where public transit connections from inner city neighborhoods where many welfare recipients live are inadequate, (2) entry level shift work can occur during irregular hours, either late at night or on weekends when transit services are reduced or curtailed and (3) trips are often complex especially for women who often need to get their children to child care. In rural areas, the problems are equally, if not more significant only about half of rural counties nationwide have any public transit.

MOVING AMERICANS FROM WELFARE TO WORK:

Federal Highway Administration On-the-Job Training and Supportive Services Programs Fact Sheet

ISTEA SUCCESSES

Since 1971, through its On-the-Job Training (OJT) Program, FHWA has required that highway contracts funded with Federal dollars provide some training positions for higher paying transportation trades. This program ensures that a diverse workforce is available to meet the highway construction hiring needs and is specifically targeted at moving women, minorities and disadvantaged persons into journeyman status. For example, participants can be trained for positions such as carpenters, concrete finishers, construction equipment operators, pipe layers, and truck drivers. Funds for the OJT program are made available under 23 U.S.C. 140 (a) which requires States to use Federal-aid construction funds to establish apprenticeship and skill improvement training programs.

In 1972, the On-the-Job Training Supportive Services (OJTSS) Program was established to supplement the OJT program and support State Highway Agencies by providing services to highway construction contractors and assistance to the highway construction apprentices and trainees. For example, services such as recruitment, pre-employment assessments, counseling/job placement, transportation, child care and skills training are provided. Funds for the OJTSS program are made available under 23 U.S.C. 140(b) through two different funding methods: 1) funds are authorized under the FHWA general operating account, but have not been appropriated since 1996, and 2) States may draw down 1/2 of 1 percent of their allocated Surface Transportation and Bridge improvement funds. Approximately \$40 million is available this year. In FY 96 States spent only 12% (\$3.9m) of the available funds. Expenditures in prior years were: \$3.6 m in 1995, \$5.5 m in 1994, and \$1.6m in 1993.

KEY NEXTEA PROVISIONS

Since transportation and construction jobs are among America's best paying, the Administration has proposed the following changes to allow States to create jobs for welfare recipients.

Training

- States would be allowed to reserve a certain number of OJT training slots on its Federal-aid contracts for welfare recipients.
- The training has been expanded to include technology training. This change is proposed to capitalize on training opportunities in connection with Intelligent Transportation Systems and other transportation-related technology.
- The language authorizing the States to draw down a portion of their funding for the OJT Supportive Services Program has been strengthened to help increase the funds actually devoted to training.

Employment

A new subsection, **Welfare Recipient Employment**, has been added to allow States to implement a preference for employment of persons who receive welfare assistance from States and persons who reside in Employment Zones or Enterprise Communities on all Federal-aid construction projects. This new subsection allows States to create job opportunities that move people from welfare to work.

MOVING AMERICANS FROM WELFARE TO WORK: ***Successful Transportation Initiatives***

1. Suburban Job Link Corporation, Chicago

The Suburban Job Link Corporation is a non-profit poverty organization in the Chicago area. It provides transportation access to suburban jobs and a variety of social service support services for welfare and unemployed persons living in the inner-city neighborhoods in Chicago. They developed five express routes linking inner-city neighborhoods with employment sites in suburban DuPage County. The demand for this service was so successful that fares covered almost 80 percent of their operating costs. They turned over the service to PACE, the suburban Chicago metropolitan transit agency, to ensure continued sustainability. PACE, in turn, has leased vans to Suburban Job Link corporation to get unemployed persons to job interviews. The Joblink Corporation has initiated another six routes with their remaining buses.

2. Southeast Arkansas Transportation (SEAT)

The Area Agency on Aging (AAA) of Southeast Arkansas in Pine Bluff built a rural public transportation system out of its senior citizen and disabled-oriented program. The AAA began its original senior transportation service in the 1970's and expanded to rural public service in 1993 with an FTA Section 18 grant. Today, SEAT has more than 100 vehicles serving 10 counties. Under FTA's joblinks demonstration program, SEAT initiated an employment service using senior center vans during off-times in rural Jefferson County. An important part of this strategy was to develop good working relationships with the county Department of Human Services Project Success case workers who are required to link welfare recipients with employment training and work. Ridership has grown to a high of 56 daily passengers and more than a 1,100 monthly passengers. The cost per ride has dropped from \$22 to \$8. The cost per vehicle hour dropped from \$43 per hour to less than \$22 per hour. This demonstration service has now been integrated into regular SEAT rural service.

3. St. Louis East West Gateway Coordinating Council

In St. Louis, the East-West Gateway Coordinating Council which serves as the Metropolitan Planning Organization for the Missouri and Illinois bi-state region, is the convenor and development intermediary for the St. Louis Regional Jobs Initiative. The Council, responded to the principles identified in the area's long range transportation plan by launching an initiative linking transportation investment with economic, employment and other community benefits. A basic premise was that this initiative will only succeed if the diverse group of employers, workers and other stakeholders in the regional labor market are included in planning, decisionmaking and outcomes. Therefore a broad consortium -- 16 agencies and organizations - - serve as a governing board for the initiative which focuses on jobs available along the Metrolink rail line as well as in the suburbs. All workforce development projects are developed in partnership with specific employers. Transportation is integrated using a broad approach that addresses total mobility needs to support access to work.

4. Metropolitan Dade Transit Agency

In Miami , the Metropolitan Dade Transit Agency is making monthly bus passes available to certain Medicaid patients, as an alternative to more expensive paratransit service. This gives Medicaid recipients unlimited transportation service to meet all their needs, generates between \$1.5 - \$2 million additional revenue for the transit system at no added cost and saves the local Medicaid agency between \$5-6 million annually -- dollars that can be used for other important Medicaid needs. All transit agencies should be exploring such beneficial relationships.

5. The Transit Authority of River City, Louisville, Kentucky

Louisville, Ky., like many cities, has seen much of its downtown job base pack up and move to the outlying suburbs and industrial parks. Recently, the Transit Authority of River City (TARC) and the Kentuckians Regional Planning and Development Agency joined forces in a JOBLINKS project to provide vital transportation to isolate inner city residents. The two agencies selected a neighborhood in West Louisville. TARC designed a new bus route to the Bluegrass Industrial Park. Without the new route, the trip was typically two hours or more. With the new route, it takes less than 40 minutes. More than 40 people were using the route every day soon after its inception.

Additionally, the City of Louisville and the Transit Authority of River City will convert the Tube Turns office building into the Nia Neighborhood Travel and Jobs Center. The idea of a travel center was conceived by the community as part of the Empowerment Zone Process. The name Nia represents one of seven African principles meaning "purpose."

The Nia Neighborhood Travel and Jobs Center will serve as a focal point for bus service to employment opportunities in outlying areas, as well as a variety of transit and paratransit services. TARC will purchase 10 small wheelchair accessible buses to serve the center. The Nia Neighborhood Travel and Jobs Center will become the central element of an economic development "campus" including several surrounding buildings which will collectively provide support services for neighborhood economic development. These services may include job training programs, child care facilities, a privately financed development bank, a small business incubator (i.e., space for start-up businesses), a small business administration information office and a manufacturing technology transfer center.

The Nia Neighborhood Travel and Jobs Center is being funded under a grant by the Federal Transit Administration with local funds from City of Louisville and TARC.

6. Talahina, Oklahoma

A rural community in Southeastern Oklahoma, Talahina is served by the Kibois Area Transit System (KATS) which is based in Stigler, OK. Talahina was facing a 15 percent unemployment rate, and it is the only population base in a 40-mile radius. Job developers with the Oklahoma Department of Human Services and KATS officials agreed to initiate a work shuttle from Talahina to Fort Smith, Ark. -- home of numerous poultry processing plants that needed workers. To avoid interfering with KATS' normal operations, special runs were established on the graveyard shift (5:00 p.m. to 1:00 a.m.) and to keep costs down, KATS trained a rider to drive the Fort Smith employment run. The first van began with 10 passengers, all of whom were either unemployed and /or on welfare. Since its inception, this program has launched three more full vans and new routes have been started to Heavener, OK and Wilburton, OK.

7. The Suburban Mobility Authority for Regional Transportation Detroit, Michigan

During the 1980's, Detroit, Michigan lost 100,000 jobs, while the outlying tri-county suburban region gained 250,000. The Suburban Mobility Authority for Regional Transportation (SMART) set out to bring these isolated inner city residents back to work. In 1993, SMART launched a program designed that gives a month's worth of free passes to anyone who has recently found a job. To-date, nearly 1,000 employers and 7,000 people have participated in the program. Then in 1994, SMART restructured its entire service, doing away with many of its no-longer productive routes and moving to a major route and feeder system. To operate this feeder system, SMART began to purchase smaller, more flexible buses. Today, 800 employers and more than 16,000 actual jobs are within SMART's service area that were not before.

In Oregon, Clackamus County has used school buses to take rural residents to distant jobs. In North Carolina and Florida, the state has taken action to establish coordinated human service transportation networks on which to build new employment transportation services.

POSSIBLE ORGANIZATIONS FOR WHITE HOUSE BRIEFING

May 19, 1997

3:00 - 4:15 pm

TRANSPORTATION

American Association of State Highway and Transportation Officials (AASHTO)

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Francis B. Francois, Executive Director
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Community Transportation Association of America (CTAA)

Dale Marsico
Executive Director
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Washington, DC 20005
202-624-1480

American Public Transportation Association (APTA)

Paul Carlson, Director Policy Development
Amy Coggin, Executive Director Policy and Intergovernmental Relations
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Washington, DC 20005
202-898-4000

WELFARE / EMPLOYMENT TRAINING

American Public Welfare Association (APWA)

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Interstate Conference of Employment Security Agencies (ICESA)

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Employment, Training & Congressional Relations Director
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Jobs for the Future (research Institute in Boston)

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National Alliance of Business (NAB)

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National Employment Leadership Council (NELC)

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The Welfare Information Network (WIN)

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National Association of Manufacturers

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Manpower Demonstration Research Corporation (MRDC)

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National Association of Regional Councils

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