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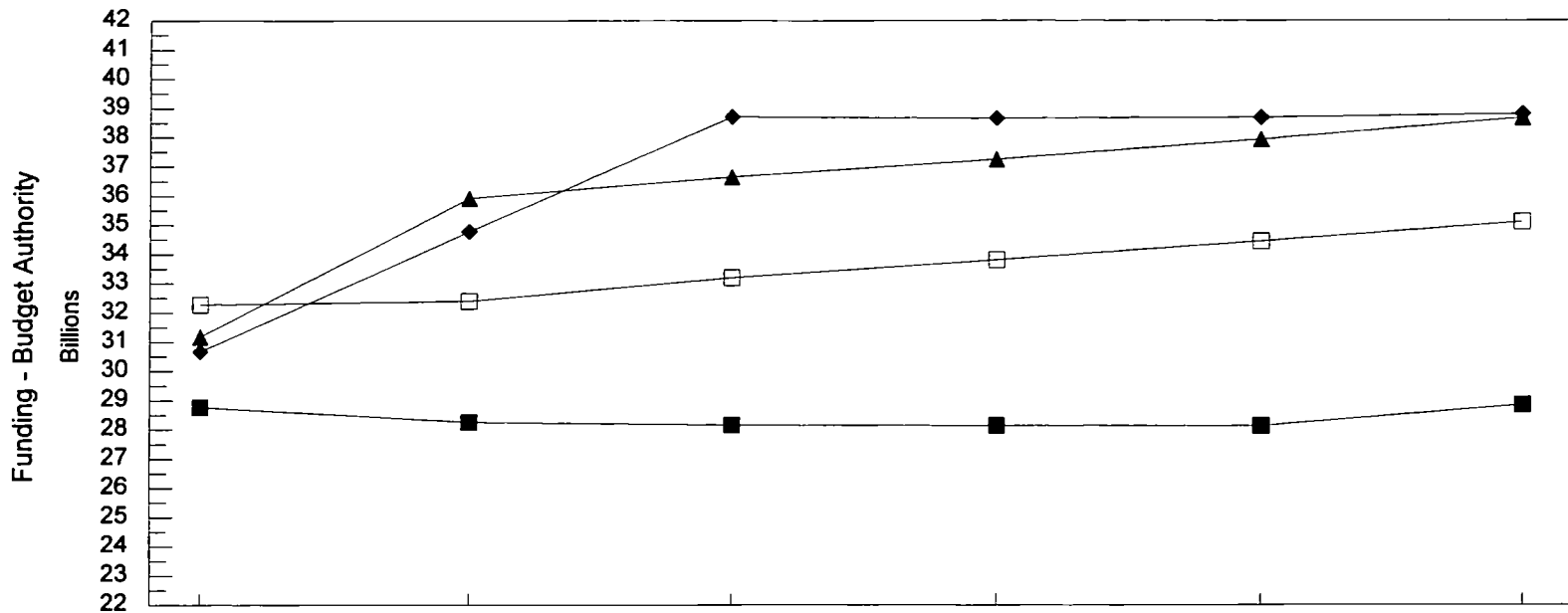
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NEXTEA [National Economic Crossroads Transportation Efficiency Act] [2]

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OMB Scoring --Surface Transportation Programs

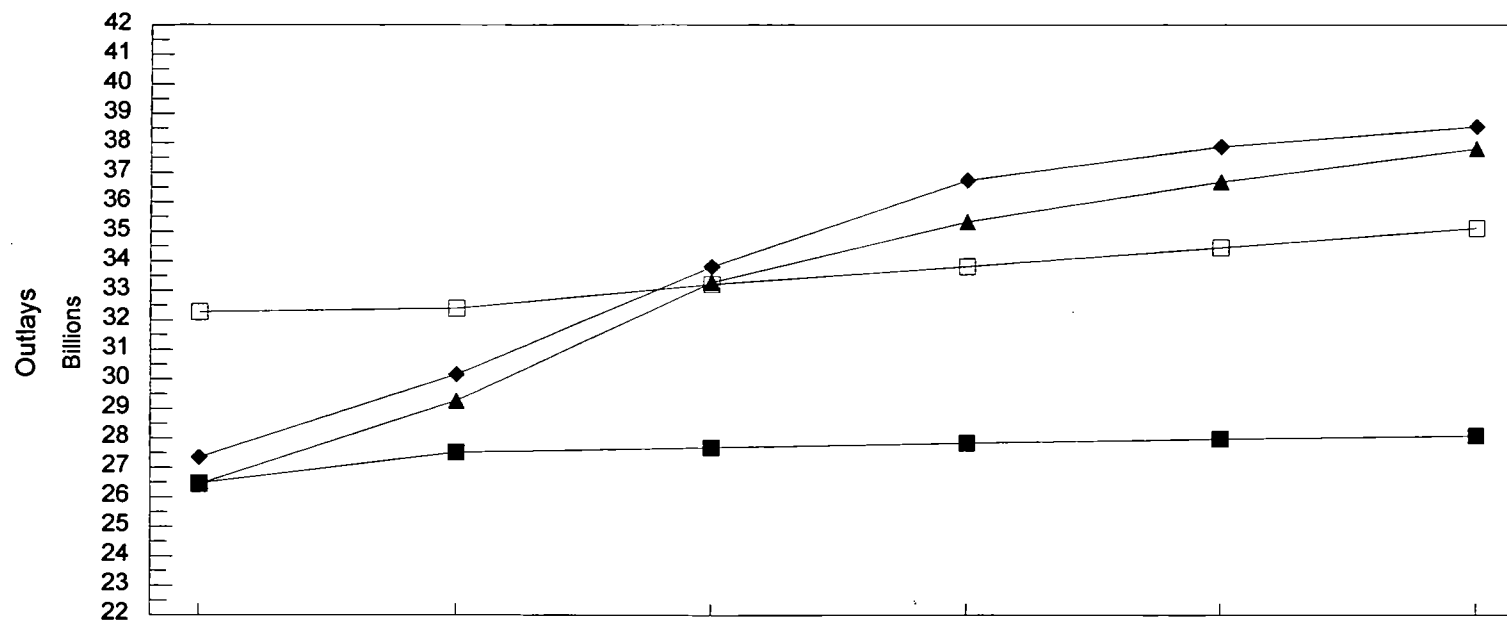
Mandatory and Discretionary Spending



FISCAL YEAR	1998	1999	2000	2001	2002	2003
■ President's Request	28,768	28,256	28,160	28,132	28,123	28,850
◆ H.R. 2400, BESTEA	30,671	34,775	38,713	38,660	38,688	38,803
▲ S. 1173, ISTEA2	31,187	35,921	36,661	37,254	37,935	38,681
□ Receipts	32,282	32,395	33,201	33,812	34,448	35,107

OMB Scoring --Surface Transportation Programs

Mandatory and Discretionary Outlays



FISCAL YEAR	1998	1999	2000	2001	2002	2003
■ President's Request	26,472	27,521	27,672	27,822	27,967	28,062
◆ H.R. 2400, BESTEA	27,346	30,150	33,805	36,734	37,866	38,549
▲ S. 1173, ISTE2	26,442	29,266	33,272	35,325	36,679	37,806
□ Receipts	32,282	32,395	33,201	33,812	34,448	35,107

Surface Transportation Programs
Mandatory and Discretionary Spending
(dollars in millions)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>6-Yr.</u> <u>Total</u>
OMB President's Request:1/							
Budget Authority	28,768	28,256	28,160	28,132	28,123	28,850	170,289
Outlays	26,472	27,251	27,672	27,822	27,967	28,062	165,246
CBO WODI Baseline:							
Budget Authority	30,747	30,747	30,747	30,747	30,747	30,747	184,482
Outlays	27,178	28,277	28,687	28,749	28,558	28,557	170,006
CBO WIDI Baseline:							
Budget Authority	30,747	30,771	30,800	30,828	30,857	30,887	184,890
Outlays	27,179	28,423	29,235	29,821	30,236	30,900	175,794
OMB WIDI Baseline:1/							
Budget Authority	30,715	30,738	30,761	30,784	30,809	30,833	184,640
Outlays	26,447	27,347	28,232	28,788	29,457	30,040	170,311
HR 2400, BESTEA - OMB Scoring							
Budget Authority	30,671	34,775	38,713	38,660	38,688	38,803	220,310
Outlays	26,596	28,823	32,889	35,743	37,165	37,883	199,099
HR 2400, BESTEA - CBO Scoring							
Budget Authority	30,798	34,730	38,719	38,866	38,693	38,808	220,614
Outlays	27,346	30,150	33,805	36,734	37,866	38,549	204,450
S. 1173, ISTEA2 - OMB Scoring							
Budget Authority	31,187	35,921	36,661	37,254	37,935	38,681	217,639
Outlays	26,442	29,266	33,272	35,325	36,679	37,806	198,790
S. 1173, ISTEA2 - CBO Scoring							
Budget Authority	31,288	36,008	36,717	37,350	37,993	38,712	218,068
Outlays	27,218	30,412	34,567	36,718	37,794	38,878	205,587

1/ The President's Budget proposed to change the presentation of obligation limitations as budget authority, the above table shows budget authority on a comparable basis. The outlays are not impacted in either case because the contract authority would not be available for obligation.

NOTE: OMB outlays assume FY 1998 Enacted for all discretionary programs. CBO assumes simple authorizations may be appropriated in supplemental action. For CA programs OMB and CBO assume the same obligation limitations.

Comparison of House and Senate ISTEA Reauthorizations with Alternative projections
(Outlays in millions)
Six Year Totals: 1998 to 2003

HR 2400, BESTEA						
	<u>OMB Scoring</u>	<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays	199,099	204,450	165,246	170,006	170,311	175,794
HR 2400 OMB Scoring						
			Less			
		<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays		(5,351)	33,853	--	28,788	--
HR 2400 CBO Scoring						
			Less			
			<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays			--	34,444	--	28,656

S. 1173, ISTEA2						
	<u>OMB Scoring</u>	<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays	198,790	205,587	165,246	170,006	170,311	175,794
S. 1173 OMB Scoring						
			Less			
		<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays		(6,797)	33,544	--	28,479	--
S. 1173 CBO Scoring						
			Less			
			<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
			--	35,581	--	29,793

CBO Scoring of Surface Transportation Programs
Mandatory and Discretionary Spending
(dollars in millions)

	Enacted						6-YR Total	6-YR Total Less WODI Baseline
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>	
CBO WODI Baseline:								
Budget Authority	30,747	30,747	30,747	30,747	30,747	30,747	184,482	N/A
Outlays	27,178	28,277	28,687	28,749	28,558	28,557	170,006	N/A
<u>Discretionary</u>								
BA	1,061	1,061	1,061	1,061	1,061	1,061	6,366	N/A
Outlays	25,212	26,520	27,146	27,542	27,502	27,597	161,519	N/A
<u>Mandatory</u>								
BA	29,686	29,686	29,686	29,686	29,686	29,686	178,116	N/A
Outlays	1,966	1,757	1,541	1,207	1,056	960	8,487	N/A
HR 2400, BESTEA - CBO Scoring								
Budget Authority	30,798	34,730	38,719	38,866	38,693	38,808	220,614	36,132
Outlays	27,346	30,150	33,805	36,734	37,866	38,549	204,450	34,444
<u>Discretionary</u>								
BA	1,203	714	315	260	185	155	2,832	-3,534
Outlays	25,231	27,770	30,957	33,663	34,666	35,296	187,583	26,064
<u>Mandatory</u>								
BA	29,594	34,016	38,404	38,606	38,509	38,654	217,783	39,667
Outlays	2,115	2,379	2,848	3,071	3,200	3,253	16,866	8,379
S. 1173, ISTEA2 - CBO Scoring								
Budget Authority	31,288	36,008	36,717	37,350	37,993	38,712	218,068	33,586
Outlays	27,218	30,412	34,567	36,718	37,794	38,878	205,587	35,581
<u>Discretionary</u>								
BA	1,617	2,194	2,432	2,391	2,420	2,463	13,517	7,151
Outlays	25,252	28,660	33,022	35,492	36,703	37,867	196,996	35,477
<u>Mandatory</u>								
BA	29,671	33,814	34,285	34,959	35,573	36,249	204,551	26,435
Outlays	1,966	1,752	1,545	1,226	1,091	1,011	8,591	

CBO Scoring of Surface Transportation Programs
Mandatory and Discretionary Spending
(dollars in millions)

		Enacted						6-YR Total	6-YR Total Less WIDI Baseline
		1998	1999	2000	2001	2002	2003	6-Yr. Total	
CBO WIDI Baseline:									
Budget Authority		30,747	30,771	30,800	30,828	30,857	30,887	184,890	N/A
Outlays		27,179	28,423	29,235	29,821	30,236	30,900	175,794	N/A
<u>Discretionary</u>									
BA		1,061	1,085	1,114	1,142	1,171	1,201	6,774	N/A
Outlays		25,213	26,666	27,694	28,614	29,180	29,940	167,307	N/A
<u>Mandatory</u>									
BA		29,686	29,686	29,686	29,686	29,686	29,686	178,116	N/A
Outlays		1,966	1,757	1,541	1,207	1,056	960	8,487	N/A
HR 2400, BESTEA - CBO Scoring									
Budget Authority		30,798	34,730	38,719	38,866	38,693	38,808	220,614	35,724
Outlays		27,346	30,150	33,805	36,734	37,866	38,549	204,450	28,656
<u>Discretionary</u>									
BA		1,203	714	315	260	185	155	2,832	(3,942)
Outlays		25,231	27,770	30,957	33,663	34,666	35,296	187,583	20,276
<u>Mandatory</u>									
BA		29,594	34,016	38,404	38,606	38,509	38,654	217,783	39,667
Outlays		2,115	2,379	2,848	3,071	3,200	3,253	16,866	8,379
S. 1173, ISTEA2 - CBO Scoring									
Budget Authority		31,288	36,008	36,717	37,350	37,993	38,712	218,068	33,178
Outlays		27,218	30,412	34,567	36,718	37,794	38,878	205,587	29,793
<u>Discretionary</u>									
BA		1,617	2,194	2,432	2,391	2,420	2,463	13,517	6,743
Outlays		25,252	28,660	33,022	35,492	36,703	37,867	196,996	29,689
<u>Mandatory</u>									
BA		29,671	33,814	34,285	34,959	35,573	36,249	204,551	26,435
Outlays		1,966	1,752	1,545	1,226	1,091	1,011	8,591	104

OMB and CBO Scoring Differences

- CBO scores BESTEA \$5.4 billion more in outlays than OMB scoring and ISTEA2 with \$6.8 billion more in outlays. There are three primary reasons for these differences:
 - Outlay Rates - CBO uses slightly different outlay rates for the three biggest ISTEA programs (see following table). For Federal-aid highways, the largest account in the reauthorization bills, CBO uses a 7 year rate while OMB uses a 9 year rate. For Transit, CBO uses a slightly faster rate for both the Formula Grant and Discretionary Grant programs.
 - Outlays Prior - The manner in which CBO estimates outlays from pre-FY 1998 balances results in higher outlays during the 1998-2003 reauthorization period. CBO uses a subjective method of projecting these outlays while OMB primarily relies on its outlay rates. In highways, this results in a \$600 million difference over the reauthorization period under each bill.
 - 1998 Authorizations. CBO assumes all the FY 1998 authorizations will be outlaid, including those not funded in the FY 1998 appropriations bill. OMB does not assume any new funding will be provided in 1998 and, therefore, does not include these outlays. This difference is most pronounced in the Senate bill, where \$600 million in FY 1998 authorizations are included in CBO totals, but not OMB.
- CBO scores ISTEA2 with \$1.1 billion more in outlays over six years than BESTEA, even though CBO scores ISTEA2 with \$2.5 billion less in budget authority. This is because \$9.3 billion in BESTEA is directed towards demos, which outlay slower than regular Federal-aid highway funds.

COMPARISON OF OMB and CBO OUTLAY RATES FOR FEDERAL-AID HIGHWAY AND TRANSIT PROGRAMS
(in billions of dollars)

Agency/Account		Budget Resources			Outlay Rates						
		FY 98 enacted	bud yr	by+1	by+2	by+3	by+4	by+5	by+6	by+7	by+8
Federal Highway Administration:											
OMB	Federal-aid Highways	21.5	27%	41%	16%	5%	3%	3%	2%	2%	1%
CBO	Federal-aid Highways		27%	42%	17%	6%	4%	2%	2%		
Federal Transit Administration:											
OMB	Formula Grants.....	2.5	5%	20%	30%	20%	20%	5%			
CBO	Formula Grants.....		8%	20%	29%	19%	19%	5%			
OMB	Discretionary Grants.....	2.0	5%	22%	22%	20%	16%	10%	5%		
CBO	Discretionary Grants 1/.....		5%	22%	22%	20%	16%	5%	5%	5%	
	beginning in FY 2000.....		18%	22%	22%	20%	16%	2%			
	beginning in FY 2001.....		12%	22%	22%	20%	16%	5%	3%		

1/ Beginning in FY 2000, CBO applies a different outlay rate to the Discretionary Grants program, because CBO believes that the large obligated balances created by the new BA will outlay faster than the current rate.

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

	1998	1999	2000	2001	2002	2003	1998-2003
Total FTA BA/OL							
General Fund BA	784	414	150	150	150	150	1,798
Trust Fund BA	4,895	5,625	6,316	6,316	6,316	6,316	35,784
Total BA	5,679	6,039	6,466	6,466	6,466	6,466	37,582
General Fund OL	152	(1,018)	2,481	2,055	1,409	953	6,032
Trust Fund OL	3,998	4,988	2,192	3,214	4,511	5,355	24,259
Total OL	4,150	3,970	4,673	5,269	5,920	6,308	30,291
Total FHWA BA/OL							
General Fund BA	300	110	125	70	30	0	635
Trust Fund BA	24,510	28,097	31,716	31,718	31,821	31,966	179,828
Total BA	24,810	28,207	31,841	31,788	31,851	31,966	180,463
General Fund OL	289	374	287	166	82	29	1,227
Trust Fund OL	21,801	24,180	27,398	29,784	30,645	31,020	164,828
Total OL	22,090	24,554	27,685	29,950	30,727	31,049	166,055
Total NHTSA BA/OL							
General Fund BA	87	87	87	87	87	87	524
Trust Fund BA	264	325	375	375	375	375	2,089
Total BA	351	412	462	462	462	462	2,613
General Fund OL	104	105	107	88	88	87	579
Trust Fund OL	242	283	332	357	370	375	1,959
Total OL	346	389	439	445	457	462	2,538
Total FRA BA/OL							
General Fund BA	71	271	71	71	36	36	553
Trust Fund BA	0	0	0	0	0	0	0
Total BA	71	271	71	71	36	36	553
General Fund OL	28	262	71	71	57	43	531
Trust Fund OL	0	0	0	0	0	0	0
Total OL	28	262	71	71	57	43	531
Total BESTEA BA/OL							
General Fund BA	1,241	882	433	378	303	273	3,510
Trust Fund BA	29,669	34,047	38,407	38,409	38,512	38,657	217,701
Total BA	30,910	34,929	38,840	38,787	38,815	38,930	221,211
General Fund OL	573	(277)	2,946	2,379	1,635	1,112	8,369
Trust Fund OL	26,041	29,452	29,922	33,355	35,526	36,750	191,046
Total OL	26,614	29,175	32,868	35,734	37,161	37,862	199,415

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Transit Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<u>Administrative Expenses</u>							
General Fund BA	46	50	0	0	0	0	96
Trust Fund BA	0	0	52	52	52	52	208
Total BA	46	50	52	52	52	52	304
General Fund OL	44	50	5	0	0	0	99
Trust Fund OL	0	0	47	52	52	52	203
Total OL	44	50	52	52	52	52	302
<u>RT&HR/Misc Exp. Accts.</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	5	3	1	0	0	0	10
Trust Fund OL	0	0	0	0	0	0	0
Total OL	5	3	1	0	0	0	10
<u>Interstate Transfer Grants:</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	19	6	(1)	(1)	0	0	23
Trust Fund OL	0	0	0	0	0	0	0
Total OL	19	6	(1)	(1)	0	0	23
<u>Formula Grants/Programs:</u>							
General Fund BA	290	68	0	0	0	0	358
Trust Fund BA	2,698	3,213	3,553	3,553	3,553	3,553	20,123
Total BA	2,988	3,281	3,553	3,553	3,553	3,553	20,481
General Fund OL	(206)	(1,340)	2,188	1,855	1,233	757	4,488
Trust Fund OL	2,260	3,213	178	942	2,017	2,724	11,334
Total OL	2,054	1,873	2,366	2,798	3,250	3,482	15,822
<u>Univ. Transpo. Centers</u>							
General Fund BA	6	6	0	0	0	0	12
Trust Fund BA	0	0	6	6	6	6	24
Total BA	6	6	6	6	6	6	36
General Fund OL	7	7	7	2	1	1	25
Trust Fund OL	0	0	1	3	5	5	14
Total OL	7	7	8	5	6	6	39
<u>Transit Planning & Resch.</u>							
General Fund BA	92	90	0	0	0	0	182
Trust Fund BA	0	0	92	92	92	92	368
Total BA	92	90	92	92	92	92	550
General Fund OL	81	95	110	43	12	2	343
Trust Fund OL	0	0	8	49	82	90	229
Total OL	81	95	118	93	93	92	572

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Transit Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i>Discretionary Grants/MCI:</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	2,197	2,412	2,613	2,613	2,613	2,613	15,061
Total BA	2,197	2,412	2,613	2,613	2,613	2,613	15,061
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	1,738	1,775	1,958	2,167	2,356	2,484	12,479
Total OL	1,738	1,775	1,958	2,167	2,356	2,484	12,479
<i>Wash. Metro</i>							
General Fund BA	200	50	0	0	0	0	250
Trust Fund BA	0	0	0	0	0	0	0
Total BA	200	50	0	0	0	0	250
General Fund OL	202	153	133	72	50	50	662
Trust Fund OL	0	0	0	0	0	0	0
Total OL	202	153	133	72	50	50	662
<i>Access to Jobs</i>							
General Fund BA	150	150	150	150	150	150	900
Trust Fund BA	0	0	0	0	0	0	0
Total BA	150	150	150	150	150	150	900
General Fund OL	0	8	38	83	113	143	383
Trust Fund OL	0	0	0	0	0	0	0
Total OL	0	8	38	83	113	143	383
Total FTA BA/OL							
General Fund BA	784	414	150	150	150	150	1,798
Trust Fund BA	4,895	5,625	6,316	6,316	6,316	6,316	35,784
Total BA	5,679	6,039	6,466	6,466	6,466	6,466	37,582
General Fund OL	152	(1,018)	2,481	2,055	1,409	953	6,032
Trust Fund OL	3,998	4,988	2,192	3,214	4,511	5,355	24,259
Total OL	4,150	3,970	4,673	5,269	5,920	6,308	30,291

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Highway Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<u>Highway Related Safety Grants</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	4	2	0	0	0	0	6
Total OL	4	2	0	0	0	0	6
<u>Motor Carrier Safety Grants</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	100	100	100	100	100	100	600
Total BA	100	100	100	100	100	100	600
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	80	96	132	150	150	150	758
Total OL	80	96	132	150	150	150	758
<u>ROW Revolving Fund (Mand)</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	(20)	(22)	(24)	(24)	(24)	(24)	(138)
Total BA	(20)	(22)	(24)	(24)	(24)	(24)	(138)
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	0	(2)	(4)	(21)	(24)	(24)	(75)
Total OL	0	(2)	(4)	(21)	(24)	(24)	(75)
<u>Federal-aid Highways (Mand&Disc)</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	24,430	28,019	31,640	31,642	31,745	31,890	179,366
Total BA	24,430	28,019	31,640	31,642	31,745	31,890	179,366
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	21,653	24,031	27,223	29,620	30,502	30,887	163,916
Total OL	21,653	24,031	27,223	29,620	30,502	30,887	163,916
<u>Appalachian Dev. Highway System</u>							
General Fund BA	300	0	0	0	0	0	300
Trust Fund BA	0	0	0	0	0	0	0
Total BA	300	0	0	0	0	0	300
General Fund OL	81	123	48	15	9	9	285
Trust Fund OL	0	0	0	0	0	0	0
Total OL	81	123	48	15	9	9	285
<u>Olympics</u>							
General Fund BA	0	110	125	70	30	0	335
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	110	125	70	30	0	335
General Fund OL	0	110	125	70	30	0	335
Trust Fund OL	0	0	0	0	0	0	0
Total OL	0	110	125	70	30	0	335

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Highway Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i>SIBs</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	84	32	12	7	5	3	143
Trust Fund OL	0	0	0	0	0	0	0
Total OL	84	32	12	7	5	3	143
<i>Misc. Approps./Orange Cty/MHTE</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	124	109	102	74	38	17	464
Trust Fund OL	64	53	47	35	17	7	223
Total OL	188	162	149	109	55	24	687
<i>Total FHWA BA/OL</i>							
General Fund BA	300	110	125	70	30	0	635
Trust Fund BA	24,510	28,097	31,716	31,718	31,821	31,966	179,828
Total BA	24,810	28,207	31,841	31,788	31,851	31,966	180,463
General Fund OL	289	374	287	166	82	29	1,227
Trust Fund OL	21,801	24,180	27,398	29,784	30,645	31,020	164,828
Total OL	22,090	24,554	27,685	29,950	30,727	31,049	166,055

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

National Highway Traffic Safety Administration (NHTSA)

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i>Operations and Research</i>							
General Fund BA	87	87	87	87	87	87	524
Trust Fund BA	75	75	75	75	75	75	450
Total BA	162	162	162	162	162	162	974
General Fund OL	104	105	107	88	88	87	0
Trust Fund OL	64	70	73	75	75	75	432
Total OL	168	176	180	163	163	162	432
<i>Highway Traffic Safety Grants</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	189	250	300	300	300	300	1,639
Total BA	189	250	300	300	300	300	1,639
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	178	213	259	282	295	300	1,527
Total OL	178	213	259	282	295	300	1,527
<i>Total NHTSA BA/OL</i>							
General Fund BA	87	87	87	87	87	87	524
Trust Fund BA	264	325	375	375	375	375	2,089
Total BA	351	412	462	462	462	462	2,613
General Fund OL	104	105	107	88	88	87	579
Trust Fund OL	242	283	332	357	370	375	1,959
Total OL	346	389	439	445	457	462	2,538

Federal Railroad Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i><u>Railroad Safety</u></i>							
General Fund BA	5	5	5	5	5	5	32
Trust Fund BA	0	0	0	0	0	0	0
Total BA	5	5	5	5	5	5	32
General Fund OL	2	4	5	5	5	5	27
Trust Fund OL	0	0	0	0	0	0	0
Total OL	2	4	5	5	5	5	27
<i><u>Alaska Railroad</u></i>							
General Fund BA	5	5	5	5	5	5	32
Trust Fund BA	0	0	0	0	0	0	0
Total BA	5	5	5	5	5	5	32
General Fund OL	2	5	5	5	5	5	28
Trust Fund OL	0	0	0	0	0	0	0
Total OL	2	5	5	5	5	5	28
<i><u>FOX</u></i>							
General Fund BA	0	200	0	0	0	0	200
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	200	0	0	0	0	200
General Fund OL	0	200	0	0	0	0	200
Trust Fund OL	0	0	0	0	0	0	0
Total OL	0	200	0	0	0	0	200
<i><u>Light Density</u></i>							
General Fund BA	25	25	25	25	25	25	150
Trust Fund BA	0	0	0	0	0	0	0
Total BA	25	25	25	25	25	25	150
General Fund OL	10	25	25	25	25	25	135
Trust Fund OL	0	0	0	0	0	0	0
Total OL	10	25	25	25	25	25	135
<i><u>High Speed Rail</u></i>							
General Fund BA	35	35	35	35	0	0	140
Trust Fund BA	0	0	0	0	0	0	0
Total BA	35	35	35	35	0	0	140
General Fund OL	14	28	35	35	21	7	140
Trust Fund OL	0	0	0	0	0	0	0
Total OL	14	28	35	35	21	7	140
<i><u>Total FRA BA/OL</u></i>							
General Fund BA	71	271	71	71	36	36	553
Trust Fund BA	0	0	0	0	0	0	0
Total BA	71	271	71	71	36	36	553
General Fund OL	28	262	71	71	57	43	531
Trust Fund OL	0	0	0	0	0	0	0
Total OL	28	262	71	71	57	43	531

ISTEA REAUTHORIZATION

May 5, 1998

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

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

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

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total \$218.9 billion over the period 1998-2004.
- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the HTF will be obligated. Total budgetary resources in each year will equal estimated *prior year* receipts (as in the Chafee-Bond proposal) in order to provide States with certainty about spending levels.
- Assured spending will be distributed between highway spending and transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, highway safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal. This offer assumes that no demonstration projects are funded. If any demonstration projects are included in final legislation, they will need to be funded within the total for highways.
- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

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

(In billions of dollars)

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

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

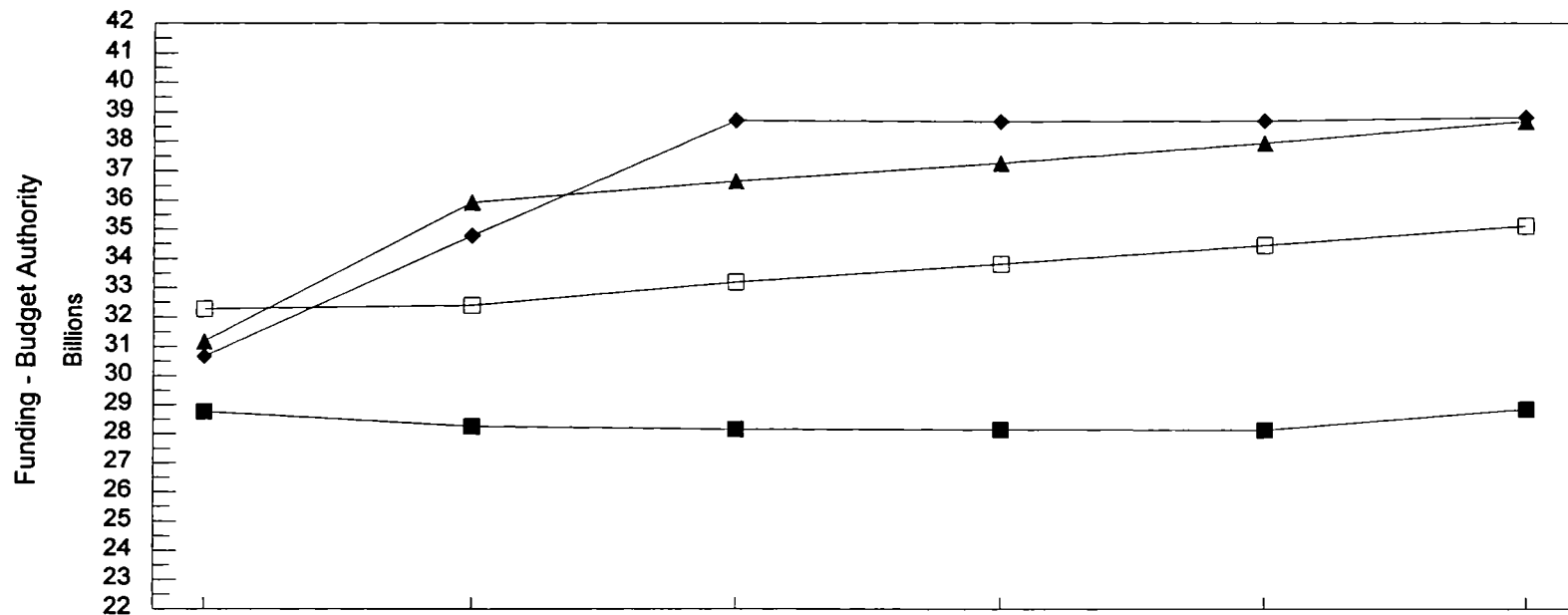
- All outlays above those called for in the President's Budget will be offset fully under CBO scoring by implementing, as part of the reauthorization, the "VA tobacco" proposal contained in the President's Budget. Outlays savings associated with the VA tobacco offset, *net of funds needed for the President's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

(In billions of dollars)

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

OMB Scoring --Surface Transportation Programs

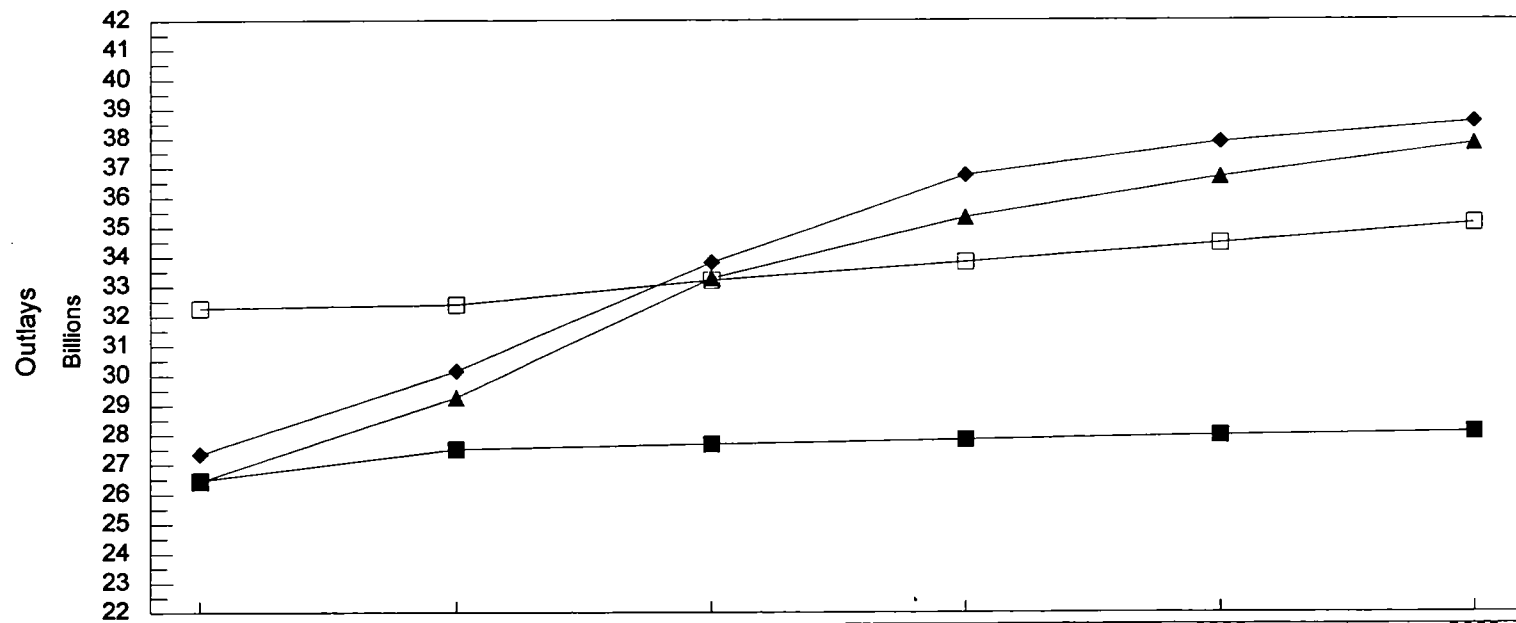
Mandatory and Discretionary Spending



FISCAL YEAR	1998	1999	2000	2001	2002	2003
■ President's Request	28,768	28,256	28,160	28,132	28,123	28,850
◆ H.R. 2400, BESTEA	30,671	34,775	38,713	38,660	38,688	38,803
▲ S. 1173, ISTE2	31,187	35,921	36,661	37,254	37,935	38,681
□ Receipts	32,282	32,395	33,201	33,812	34,448	35,107

OMB Scoring --Surface Transportation Programs

Mandatory and Discretionary Outlays



FISCAL YEAR	1998	1999	2000	2001	2002	2003
■ President's Request	26,472	27,521	27,672	27,822	27,967	28,062
◆ H.R. 2400, BESTEA	27,346	30,150	33,805	36,734	37,866	38,549
▲ S. 1173, ISTE2	26,442	29,266	33,272	35,325	36,679	37,806
□ Receipts	32,282	32,395	33,201	33,812	34,448	35,107

Surface Transportation Programs Mandatory and Discretionary Spending (dollars in millions)							6-Yr. Total
	1998	1999	2000	2001	2002	2003	
OMB President's Request:1/							
Budget Authority	28,768	28,256	28,160	28,132	28,123	28,850	170,289
Outlays	26,472	27,251	27,672	27,822	27,967	28,062	165,246
CBO WODI Baseline:							
Budget Authority	30,747	30,747	30,747	30,747	30,747	30,747	184,482
Outlays	27,178	28,277	28,687	28,749	28,558	28,557	170,006
CBO WIDI Baseline:							
Budget Authority	30,747	30,771	30,800	30,828	30,857	30,887	184,890
Outlays	27,179	28,423	29,235	29,821	30,236	30,900	175,794
OMB WIDI Baseline:1/							
Budget Authority	30,715	30,738	30,761	30,784	30,809	30,833	184,640
Outlays	26,447	27,347	28,232	28,788	29,457	30,040	170,311
HR 2400, BESTEA - OMB Scoring							
Budget Authority	30,671	34,775	38,713	38,660	38,688	38,803	220,310
Outlays	26,596	28,823	32,889	35,743	37,165	37,883	199,099
HR 2400, BESTEA - CBO Scoring							
Budget Authority	30,798	34,730	38,719	38,866	38,693	38,808	220,614
Outlays	27,346	30,150	33,805	36,734	37,866	38,549	204,450
S. 1173, ISTE2 - OMB Scoring							
Budget Authority	31,187	35,921	36,661	37,254	37,935	38,681	217,639
Outlays	26,442	29,266	33,272	35,325	36,679	37,806	198,790
S. 1173, ISTE2 - CBO Scoring							
Budget Authority	31,288	36,008	36,717	37,350	37,993	38,712	218,068
Outlays	27,218	30,412	34,567	36,718	37,794	38,878	205,587

1/ The President's Budget proposed to change the presentation of obligation limitations as budget authority, the above table shows budget authority on a comparable basis. The outlays are not impacted in either case because the contract authority would not be available for obligation.

NOTE: OMB outlays assume FY 1998 Enacted for all discretionary programs. CBO assumes simple authorizations may be appropriated in supplemental action. For CA programs OMB and CBO assume the same obligation limitations.

**Comparison of House and Senate ISTEA Reauthorizations with Alternative projections
(Outlays in millions)
Six Year Totals: 1998 to 2003**

HR 2400, BESTEA						
	<u>OMB Scoring</u>	<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays	199,099	204,450	165,246	170,006	170,311	175,794
HR 2400 OMB Scoring						
			Less			
		<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays		(5,351)	33,853	--	28,788	--
HR 2400 CBO Scoring						
			Less			
			<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays			--	34,444	--	28,656

S. 1173, ISTEA2						
	<u>OMB Scoring</u>	<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays	198,790	205,587	165,246	170,006	170,311	175,794
S. 1173 OMB Scoring						
			Less			
		<u>CBO Scoring</u>	<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
Outlays		(6,797)	33,544	--	28,479	--
S. 1173 CBO Scoring						
			Less			
			<u>OMB President's Request</u>	<u>CBO WODI Baseline</u>	<u>OMB WIDI Baseline</u>	<u>CBO WIDI Baseline</u>
			--	35,581	--	29,793

CBO Scoring of Surface Transportation Programs
Mandatory and Discretionary Spending
(dollars in millions)

	Enacted <u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	6-Yr. <u>Total</u>	6-YR Total Less WODI <u>Baseline</u>
CBO WODI Baseline:								
Budget Authority	30,747	30,747	30,747	30,747	30,747	30,747	184,482	N/A
Outlays	27,178	28,277	28,687	28,749	28,558	28,557	170,006	N/A
<u>Discretionary</u>								
BA	1,061	1,061	1,061	1,061	1,061	1,061	6,366	N/A
Outlays	25,212	26,520	27,146	27,542	27,502	27,597	161,519	N/A
<u>Mandatory</u>								
BA	29,686	29,686	29,686	29,686	29,686	29,686	178,116	N/A
Outlays	1,966	1,757	1,541	1,207	1,056	960	8,487	N/A
HR 2400, BESTEA - CBO Scoring								
Budget Authority	30,798	34,730	38,719	38,866	38,693	38,808	220,614	36,132
Outlays	27,346	30,150	33,805	36,734	37,866	38,549	204,450	34,444
<u>Discretionary</u>								
BA	1,203	714	315	260	185	155	2,832	-3,534
Outlays	25,231	27,770	30,957	33,663	34,666	35,296	187,583	26,064
<u>Mandatory</u>								
BA	29,594	34,016	38,404	38,606	38,509	38,654	217,783	39,667
Outlays	2,115	2,379	2,848	3,071	3,200	3,253	16,866	8,379
S. 1173, ISTEA2 - CBO Scoring								
Budget Authority	31,288	36,008	36,717	37,350	37,993	38,712	218,068	33,586
Outlays	27,218	30,412	34,567	36,718	37,794	38,878	205,587	35,581
<u>Discretionary</u>								
BA	1,617	2,194	2,432	2,391	2,420	2,463	13,517	7,151
Outlays	25,252	28,660	33,022	35,492	36,703	37,867	196,996	35,477
<u>Mandatory</u>								
BA	29,671	33,814	34,285	34,959	35,573	36,249	204,551	26,435
Outlays	1,966	1,752	1,545	1,226	1,091	1,011	8,591	

CBO Scoring of Surface Transportation Programs
Mandatory and Discretionary Spending
(dollars in millions)

	Enacted 1998	1999	2000	2001	2002	2003	6-Yr. Total	6-YR Total Less WIDI Baseline
CBO WIDI Baseline:								
Budget Authority	30,747	30,771	30,800	30,828	30,857	30,887	184,890	N/A
Outlays	27,179	28,423	29,235	29,821	30,236	30,900	175,794	N/A
<u>Discretionary</u>								
BA	1,061	1,085	1,114	1,142	1,171	1,201	6,774	N/A
Outlays	25,213	26,666	27,694	28,614	29,180	29,940	167,307	N/A
<u>Mandatory</u>								
BA	29,686	29,686	29,686	29,686	29,686	29,686	178,116	N/A
Outlays	1,966	1,757	1,541	1,207	1,056	960	8,487	N/A
HR 2400, BESTEA - CBO Scoring								
Budget Authority	30,798	34,730	38,719	38,866	38,693	38,808	220,614	35,724
Outlays	27,346	30,150	33,805	36,734	37,866	38,549	204,450	28,656
<u>Discretionary</u>								
BA	1,203	714	315	260	185	155	2,832	(3,942)
Outlays	25,231	27,770	30,957	33,663	34,666	35,296	187,583	20,276
<u>Mandatory</u>								
BA	29,594	34,016	38,404	38,606	38,509	38,654	217,783	39,667
Outlays	2,115	2,379	2,848	3,071	3,200	3,253	16,866	8,379
S. 1173, ISTEA2 - CBO Scoring								
Budget Authority	31,288	36,008	36,717	37,350	37,993	38,712	218,068	33,178
Outlays	27,218	30,412	34,567	36,718	37,794	38,878	205,587	29,793
<u>Discretionary</u>								
BA	1,617	2,194	2,432	2,391	2,420	2,463	13,517	6,743
Outlays	25,252	28,660	33,022	35,492	36,703	37,867	196,996	29,689
<u>Mandatory</u>								
BA	29,671	33,814	34,285	34,959	35,573	36,249	204,551	26,435
Outlays	1,966	1,752	1,545	1,226	1,091	1,011	8,591	104

OMB and CBO Scoring Differences

- CBO scores BESTEA \$5.4 billion more in outlays than OMB scoring and ISTEA2 with \$6.8 billion more in outlays. There are three primary reasons for these differences:
 - Outlay Rates - CBO uses slightly different outlay rates for the three biggest ISTEA programs (see following table). For Federal-aid highways, the largest account in the reauthorization bills, CBO uses a 7 year rate while OMB uses a 9 year rate. For Transit, CBO uses a slightly faster rate for both the Formula Grant and Discretionary Grant programs.
 - Outlays Prior - The manner in which CBO estimates outlays from pre-FY 1998 balances results in higher outlays during the 1998-2003 reauthorization period. CBO uses a subjective method of projecting these outlays while OMB primarily relies on its outlay rates. In highways, this results in a \$600 million difference over the reauthorization period under each bill.
 - 1998 Authorizations. CBO assumes all the FY 1998 authorizations will be outlaid, including those not funded in the FY 1998 appropriations bill. OMB does not assume any new funding will be provided in 1998 and, therefore, does not include these outlays. This difference is most pronounced in the Senate bill, where \$600 million in FY 1998 authorizations are included in CBO totals, but not OMB.
- CBO scores ISTEA2 with \$1.1 billion more in outlays over six years than BESTEA, even though CBO scores ISTEA2 with \$2.5 billion less in budget authority. This is because \$9.3 billion in BESTEA is directed towards demos, which outlay slower than regular Federal-aid highway funds.

COMPARISON OF OMB and CBO OUTLAY RATES FOR FEDERAL-AID HIGHWAY AND TRANSIT PROGRAMS
(in billions of dollars)

Agency/Account		Budget Resources				Outlay Rates					
		FY 98 enacted	bud yr	by+1	by+2	by+3	by+4	by+5	by+6	by+7	by+8
Federal Highway Administration:											
OMB	Federal-aid Highways	21.5	27%	41%	16%	5%	3%	3%	2%	2%	1%
CBO	Federal-aid Highways		27%	42%	17%	6%	4%	2%	2%		
Federal Transit Administration:											
OMB	Formula Grants.....	2.5	5%	20%	30%	20%	20%	5%			
CBO	Formula Grants.....		8%	20%	29%	19%	19%	5%			
OMB	Discretionary Grants.....	2.0	5%	22%	22%	20%	16%	10%	5%		
CBO	Discretionary Grants 1/.....		5%	22%	22%	20%	16%	5%	5%		
	beginning in FY 2000.....		18%	22%	22%	20%	16%	2%			
	beginning in FY 2001.....		12%	22%	22%	20%	16%	5%	3%		

1/ Beginning in FY 2000, CBO applies a different outlay rate to the Discretionary Grants program, because CBO believes that the large obligated balances created by the new BA will outlay faster than the current rate.

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

	1998	1999	2000	2001	2002	2003	1998-2003
Total FTA BA/OL							
General Fund BA	784	414	150	150	150	150	1,798
Trust Fund BA	4,895	5,625	6,316	6,316	6,316	6,316	35,784
Total BA	5,679	6,039	6,466	6,466	6,466	6,466	37,582
General Fund OL	152	(1,018)	2,481	2,055	1,409	953	6,032
Trust Fund OL	3,998	4,988	2,192	3,214	4,511	5,355	24,259
Total OL	4,150	3,970	4,673	5,269	5,920	6,308	30,291
<u>Total FHWA BA/OL</u>							
General Fund BA	300	110	125	70	30	0	635
Trust Fund BA	24,510	28,097	31,716	31,718	31,821	31,966	179,828
Total BA	24,810	28,207	31,841	31,788	31,851	31,966	180,463
General Fund OL	289	374	287	166	82	29	1,227
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Total OL	22,090	24,554	27,685	29,950	30,727	31,049	166,055
<u>Total NHTSA BA/OL</u>							
General Fund BA	87	87	87	87	87	87	524
Trust Fund BA	264	325	375	375	375	375	2,089
Total BA	351	412	462	462	462	462	2,613
General Fund OL	104	105	107	88	88	87	579
Trust Fund OL	242	283	332	357	370	375	1,959
Total OL	346	389	439	445	457	462	2,538
<u>Total FRA BA/OL</u>							
General Fund BA	71	271	71	71	36	36	553
Trust Fund BA	0	0	0	0	0	0	0
Total BA	71	271	71	71	36	36	553
General Fund OL	28	262	71	71	57	43	531
Trust Fund OL	0	0	0	0	0	0	0
Total OL	28	262	71	71	57	43	531
<u>Total BESTEA BA/OL</u>							
General Fund BA	1,241	882	433	378	303	273	3,510
Trust Fund BA	29,669	34,047	38,407	38,409	38,512	38,657	217,701
Total BA	30,910	34,929	38,840	38,787	38,815	38,930	221,211
General Fund OL	573	(277)	2,946	2,379	1,635	1,112	8,369
Trust Fund OL	26,041	29,452	29,922	33,355	35,526	36,750	191,046
Total OL	26,614	29,175	32,868	35,734	37,161	37,862	199,415

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Transit Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<u>Administrative Expenses</u>							
General Fund BA	46	50	0	0	0	0	96
Trust Fund BA	0	0	52	52	52	52	208
Total BA	46	50	52	52	52	52	304
General Fund OL	44	50	5	0	0	0	99
Trust Fund OL	0	0	47	52	52	52	203
Total OL	44	50	52	52	52	52	302
<u>RT&HR/Misc Exp. Accts.</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	5	3	1	0	0	0	10
Trust Fund OL	0	0	0	0	0	0	0
Total OL	5	3	1	0	0	0	10
<u>Interstate Transfer Grants:</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	19	6	(1)	(1)	0	0	23
Trust Fund OL	0	0	0	0	0	0	0
Total OL	19	6	(1)	(1)	0	0	23
<u>Formula Grants/Programs:</u>							
General Fund BA	290	68	0	0	0	0	358
Trust Fund BA	2,698	3,213	3,553	3,553	3,553	3,553	20,123
Total BA	2,988	3,281	3,553	3,553	3,553	3,553	20,481
General Fund OL	(206)	(1,340)	2,188	1,855	1,233	757	4,488
Trust Fund OL	2,260	3,213	178	942	2,017	2,724	11,334
Total OL	2,054	1,873	2,366	2,798	3,250	3,482	15,822
<u>Univ. Transpo. Centers</u>							
General Fund BA	6	6	0	0	0	0	12
Trust Fund BA	0	0	6	6	6	6	24
Total BA	6	6	6	6	6	6	36
General Fund OL	7	7	7	2	1	1	25
Trust Fund OL	0	0	1	3	5	5	14
Total OL	7	7	8	5	6	6	39
<u>Transit Planning & Resch.</u>							
General Fund BA	92	90	0	0	0	0	182
Trust Fund BA	0	0	92	92	92	92	368
Total BA	92	90	92	92	92	92	550
General Fund OL	81	95	110	43	12	2	343
Trust Fund OL	0	0	8	49	82	90	229
Total OL	81	95	118	93	93	92	572

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Transit Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i>Discretionary Grants/MCI:</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	2,197	2,412	2,613	2,613	2,613	2,613	15,061
Total BA	2,197	2,412	2,613	2,613	2,613	2,613	15,061
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	1,738	1,775	1,958	2,167	2,356	2,484	12,479
Total OL	1,738	1,775	1,958	2,167	2,356	2,484	12,479
<i>Wash. Metro</i>							
General Fund BA	200	50	0	0	0	0	250
Trust Fund BA	0	0	0	0	0	0	0
Total BA	200	50	0	0	0	0	250
General Fund OL	202	153	133	72	50	50	662
Trust Fund OL	0	0	0	0	0	0	0
Total OL	202	153	133	72	50	50	662
<i>Access to Jobs</i>							
General Fund BA	150	150	150	150	150	150	900
Trust Fund BA	0	0	0	0	0	0	0
Total BA	150	150	150	150	150	150	900
General Fund OL	0	8	38	83	113	143	383
Trust Fund OL	0	0	0	0	0	0	0
Total OL	0	8	38	83	113	143	383
Total FTA BA/OL							
General Fund BA	784	414	150	150	150	150	1,798
Trust Fund BA	4,895	5,625	6,316	6,316	6,316	6,316	35,784
Total BA	5,679	6,039	6,466	6,466	6,466	6,466	37,582
General Fund OL	152	(1,018)	2,481	2,055	1,409	953	6,032
Trust Fund OL	3,998	4,988	2,192	3,214	4,511	5,355	24,259
Total OL	4,150	3,970	4,673	5,269	5,920	6,308	30,291

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Highway Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<u>Highway Related Safety Grants</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	4	2	0	0	0	0	6
Total OL	4	2	0	0	0	0	6
<u>Motor Carrier Safety Grants</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	100	100	100	100	100	100	600
Total BA	100	100	100	100	100	100	600
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	80	96	132	150	150	150	758
Total OL	80	96	132	150	150	150	758
<u>ROW Revolving Fund (Mand)</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	(20)	(22)	(24)	(24)	(24)	(24)	(138)
Total BA	(20)	(22)	(24)	(24)	(24)	(24)	(138)
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	0	(2)	(4)	(21)	(24)	(24)	(75)
Total OL	0	(2)	(4)	(21)	(24)	(24)	(75)
<u>Federal-aid Highways (Mand&Disc)</u>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	24,430	28,019	31,640	31,642	31,745	31,890	179,366
Total BA	24,430	28,019	31,640	31,642	31,745	31,890	179,366
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	21,653	24,031	27,223	29,620	30,502	30,887	163,916
Total OL	21,653	24,031	27,223	29,620	30,502	30,887	163,916
<u>Appalachian Dev. Highway System</u>							
General Fund BA	300	0	0	0	0	0	300
Trust Fund BA	0	0	0	0	0	0	0
Total BA	300	0	0	0	0	0	300
General Fund OL	81	123	48	15	9	9	285
Trust Fund OL	0	0	0	0	0	0	0
Total OL	81	123	48	15	9	9	285
<u>Olympics</u>							
General Fund BA	0	110	125	70	30	0	335
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	110	125	70	30	0	335
General Fund OL	0	110	125	70	30	0	335
Trust Fund OL	0	0	0	0	0	0	0
Total OL	0	110	125	70	30	0	335

BESTEA General Fund/Trust Fund Comparison
(in millions of dollars)

Federal Highway Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i>SIBs</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	84	32	12	7	5	3	143
Trust Fund OL	0	0	0	0	0	0	0
Total OL	84	32	12	7	5	3	143
<i>Misc. Approps./Orange Cty./MHTE</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	0	0	0	0	0	0
General Fund OL	124	109	102	74	38	17	464
Trust Fund OL	64	53	47	35	17	7	223
Total OL	188	162	149	109	55	24	687
<i>Total FHWA BA/OL</i>							
General Fund BA	300	110	125	70	30	0	635
Trust Fund BA	24,510	28,097	31,716	31,718	31,821	31,966	179,828
Total BA	24,810	28,207	31,841	31,788	31,851	31,966	180,463
General Fund OL	289	374	287	166	82	29	1,227
Trust Fund OL	21,801	24,180	27,398	29,784	30,645	31,020	164,828
Total OL	22,090	24,554	27,685	29,950	30,727	31,049	166,055

BESTEA General Fund/Trust Fund Comparison

(in millions of dollars)

National Highway Traffic Safety Administration (NHTSA)

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i>Operations and Research</i>							
General Fund BA	87	87	87	87	87	87	524
Trust Fund BA	75	75	75	75	75	75	450
Total BA	162	162	162	162	162	162	974
General Fund OL	104	105	107	88	88	87	0
Trust Fund OL	64	70	73	75	75	75	432
Total OL	168	176	180	163	163	162	432
<i>Highway Traffic Safety Grants</i>							
General Fund BA	0	0	0	0	0	0	0
Trust Fund BA	189	250	300	300	300	300	1,639
Total BA	189	250	300	300	300	300	1,639
General Fund OL	0	0	0	0	0	0	0
Trust Fund OL	178	213	259	282	295	300	1,527
Total OL	178	213	259	282	295	300	1,527
<i>Total NHTSA BA/OL</i>							
General Fund BA	87	87	87	87	87	87	524
Trust Fund BA	264	325	375	375	375	375	2,089
Total BA	351	412	462	462	462	462	2,613
General Fund OL	104	105	107	88	88	87	579
Trust Fund OL	242	283	332	357	370	375	1,959
Total OL	346	389	439	445	457	462	2,538

Federal Railroad Administration

	1998	1999	2000	2001	2002	2003	Total 1998-2003
<i><u>Railroad Safety</u></i>							
General Fund BA	5	5	5	5	5	5	32
Trust Fund BA	0	0	0	0	0	0	0
Total BA	5	5	5	5	5	5	32
General Fund OL	2	4	5	5	5	5	27
Trust Fund OL	0	0	0	0	0	0	0
Total OL	2	4	5	5	5	5	27
<i><u>Alaska Railroad</u></i>							
General Fund BA	5	5	5	5	5	5	32
Trust Fund BA	0	0	0	0	0	0	0
Total BA	5	5	5	5	5	5	32
General Fund OL	2	5	5	5	5	5	28
Trust Fund OL	0	0	0	0	0	0	0
Total OL	2	5	5	5	5	5	28
<i><u>FOX</u></i>							
General Fund BA	0	200	0	0	0	0	200
Trust Fund BA	0	0	0	0	0	0	0
Total BA	0	200	0	0	0	0	200
General Fund OL	0	200	0	0	0	0	200
Trust Fund OL	0	0	0	0	0	0	0
Total OL	0	200	0	0	0	0	200
<i><u>Light Density</u></i>							
General Fund BA	25	25	25	25	25	25	150
Trust Fund BA	0	0	0	0	0	0	0
Total BA	25	25	25	25	25	25	150
General Fund OL	10	25	25	25	25	25	135
Trust Fund OL	0	0	0	0	0	0	0
Total OL	10	25	25	25	25	25	135
<i><u>High Speed Rail</u></i>							
General Fund BA	35	35	35	35	0	0	140
Trust Fund BA	0	0	0	0	0	0	0
Total BA	35	35	35	35	0	0	140
General Fund OL	14	28	35	35	21	7	140
Trust Fund OL	0	0	0	0	0	0	0
Total OL	14	28	35	35	21	7	140
<i><u>Total FRA BA/OL</u></i>							
General Fund BA	71	271	71	71	36	36	553
Trust Fund BA	0	0	0	0	0	0	0
Total BA	71	271	71	71	36	36	553
General Fund OL	28	262	71	71	57	43	531
Trust Fund OL	0	0	0	0	0	0	0
Total OL	28	262	71	71	57	43	531

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

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-2005 Total
President's Budget													
BR	28.0	27.8	27.7	27.7	27.7	27.6	27.7	28.3	166.5	194.2	138.5	166.2	194.4
OL	26.5	27.3	27.7	27.8	28.0	28.1	28.1	28.4	165.4	193.5	138.9	167.0	195.3
<i>Highway/Safety</i>													
BR	23.1	23.0	22.9	22.9	22.8	22.8	22.8	23.3	137.6	160.4	114.5	137.3	160.6
OL	22.3	23.3	23.4	23.3	23.2	23.1	23.2	23.5	138.7	161.9	116.4	139.6	163.1
<i>Transit</i>													
BR	4.8	4.8	4.8	4.8	4.8	4.8	4.9	5.0	28.7	33.6	23.9	28.8	33.8
OL	4.2	3.9	4.3	4.5	4.8	4.9	4.9	4.8	26.5	31.4	22.4	27.2	32.1

Highway Trust Fund Receipts

Receipts - normalized													
Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
Total	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1

HR 2400, BESTEA

BR	29.3	35.0	38.9	38.8	38.9	38.8	--	--	219.7	--	190.4	--	--
OL	26.6	28.8	32.9	35.7	37.2	37.9	--	--	199.1	--	172.5	--	--
<i>Highway/Safety</i>													
BR	24.5	29.0	32.5	32.4	32.4	32.4	--	--	183.0	--	158.6	--	--
OL	22.4	24.9	28.2	30.5	31.2	31.6	--	--	168.8	--	146.4	--	--
<i>Transit</i>													
BR	4.8	6.0	6.5	6.5	6.5	6.5	--	--	36.7	--	31.9	--	--
OL	4.2	4.0	4.7	5.3	5.9	6.3	--	--	30.3	--	26.1	--	--

S.1173, ISTEAD

BR	27.8	36.7	37.4	38.0	38.7	39.5	--	--	218.0	--	190.3	--	--
OL	26.4	29.4	33.4	35.5	36.9	38.0	--	--	199.6	--	173.2	--	--
<i>Highway/Safety</i>													
BR	22.9	29.8	30.4	30.9	31.4	32.0	--	--	177.5	--	154.6	--	--
OL	22.3	25.3	28.4	29.7	30.4	31.0	--	--	167.1	--	144.8	--	--
<i>Transit</i>													
BR	4.8	6.9	7.0	7.1	7.3	7.5	--	--	40.5	--	35.7	--	--
OL	4.2	4.1	5.0	5.7	6.5	7.0	--	--	32.5 6/	--	28.3	--	--

Highway Trust Fund Receipts

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

Under current law, Transit revenues equal 13.8% of total Highway receipts in each of the years 98-05, and under the Offer, Transit spending equals 19 % of total receipts.

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

DRAFT

Surface Transportation Spending -- Authorizations and Appropriations
(\$ in billions)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Six-Year Average</u>
<u>Budgetary Resources</u>							
Surface Transportation							
Transit	3.8	3.8	4.6	4.6	4.0	4.4	4.2
Highway/Safety	19.5	18.9	22.1	20.6	20.1	22.1	20.6
Total	23.3	22.7	26.6	25.2	24.1	26.5	24.7
Trust Fund							
Transit	1.9	0.9	1.6	1.7	1.3	0.8	1.4
Highway/Safety	17.0	16.3	19.3	17.5	18.4	20.0	18.1
Total	18.9	17.2	20.9	19.3	19.7	20.9	19.5
General Fund							
Transit	1.9	2.9	3.0	2.8	2.8	3.6	2.8
Highway/Safety	0.6	0.1	0.2	0.4	0.1	0.2	0.3
Total	2.5	3.0	3.2	3.3	2.8	3.8	3.1
Mandatory (HW only)	1.9	2.6	2.5	2.7	1.6	1.8	2.2
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Six-Year Average</u>
<u>Authorizations</u>							
Surface Transportation							
Transit	3.8	5.4	5.3	5.3	5.3	7.5	5.4
Highway/Safety	18.3	21.5	21.9	21.9	18.7	23.3	21.0
Total	22.1	26.9	27.3	27.3	24.0	30.8	26.4
Trust Fund							
Transit	1.9	2.9	3.0	2.9	2.8	4.8	3.0
Highway/Safety	16.9	21.4	21.8	21.9	18.6	23.2	20.7
Total	18.8	24.3	24.8	24.7	21.4	28.0	23.7
General Fund							
Transit	1.9	2.5	2.4	2.5	2.6	2.7	2.4
Highway/Safety	1.4	0.1	0.1	0.1	0.1	0.1	0.3
Total	3.3	2.6	2.4	2.5	2.6	2.7	2.7

Transit as a percent of Surface Transportation Spending

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Six-Year Average</u>
<u>Budgetary Resources</u>							
Surface Transportation							
Transit	16%	17%	17%	18%	17%	17%	17%
Highway/Safety	84%	83%	83%	82%	83%	83%	83%
Trust Fund							
Transit	10%	5%	8%	9%	6%	4%	7%
Highway/Safety	90%	95%	92%	91%	94%	96%	93%
General Fund							
Transit	75%	96%	93%	87%	97%	94%	91%
Highway/Safety	25%	4%	7%	13%	3%	6%	9%

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Six-Year Average</u>
<u>Authorizations</u>							
Surface Transportation							
Transit	17%	20%	20%	20%	22%	24%	21%
Highway/Safety	83%	80%	80%	80%	78%	76%	79%
Trust Fund							
Transit	10%	12%	12%	12%	13%	17%	13%
Highway/Safety	90%	88%	88%	88%	87%	83%	87%
General Fund							
Transit	57%	97%	96%	96%	97%	97%	89%
Highway/Safety	43%	3%	4%	4%	3%	3%	11%

CENTER ON BUDGET AND POLICY PRIORITIES

Revised May 4, 1998

HIGHWAY BILL LIKELY TO CUT INTO FUNDING FOR OTHER NON-DEFENSE DISCRETIONARY PROGRAMS

by Sam Elkin and Robert Greenstein

Summary

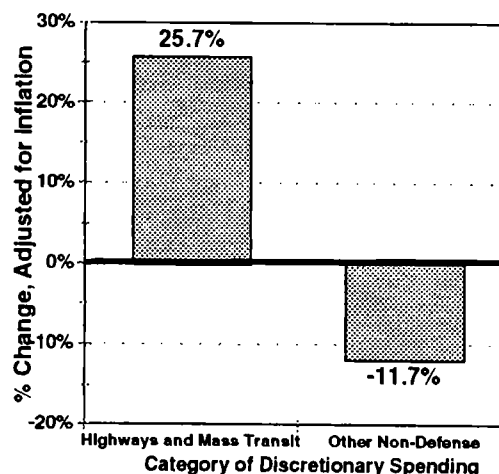
The highway bill now in a conference committee between the Senate and House threatens to precipitate large reductions in the next several years in the non-defense discretionary part of the federal budget. Programs in areas ranging from education and child care to environmental, agricultural, rural, veterans, and foreign aid programs, as well as scientific research, are likely to be affected adversely.

The versions of the highway bill that both the House and Senate have passed would sharply increase highway spending to levels well in excess of what was agreed to during last year's budget negotiations between Congress and the President. Due to the binding caps the budget agreement placed on expenditures for discretionary (i.e., non-entitlement) programs, increased highway spending must automatically lead to reductions in other discretionary programs unless the increased highway spending is offset in some other manner.

That the highway bill will have this effect on other discretionary programs is not well understood. There is a widespread — but wholly mistaken — view that the increased highway spending is being financed out of the highway trust fund in a way that does not affect funding for other programs. The highway trust fund, however, is essentially a bookkeeping mechanism. Its existence does not alter the fact that discretionary spending on highways is counted under the discretionary spending caps — and an increase in highway spending consequently requires reductions in other discretionary programs so that overall discretionary spending remains within the cap.

The budgetary realities related to these matters are as follows:

**Change in Discretionary Spending Under the
House Highway Bill Between 1998 and 2002**



- The Balanced Budget Agreement established legally binding caps on spending for discretionary programs for each year through fiscal year 2002. If the relative proportions of overall discretionary spending that go to defense and non-defense programs remain relatively stable (as the budget agreement assumes they will), the caps will reduce spending for non-defense discretionary programs by a cumulative total of \$39 billion over the next four fiscal years. In fiscal year 2002 alone, spending for non-defense discretionary programs will be \$24 billion — or eight percent — below the fiscal year 1998 level after adjusting for inflation.¹
- Increasing funding for any discretionary program means that the amount left for other discretionary programs must be reduced. As a result, the increase in spending in the highway bill will almost certainly lead to a decrease in spending for other discretionary programs. If the House version of the highway bill becomes law, highway (and related mass transit) spending will rise 26 percent by 2002, after adjusting for inflation. Over the same period, spending levels for other non-defense discretionary programs will fall 12 percent in inflation-adjusted terms (assuming the reductions needed to offset the increased highway expenditures come from the non-defense portion of discretionary spending). The overall reduction in non-defense discretionary programs for fiscal years 1998 through 2002, other than highway and mass transit programs, would be about 50 percent deeper than the reduction that last year's budget agreement, by itself, will cause in these programs.

Spending on highways and mass transit would be about one-third higher in 2002 under the House version of the highway bill than the Balanced Budget Agreement assumed.²

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- The crunch that will face non-defense discretionary programs over the next several years may be even sharper than these figures indicate. The budget agreement places separate caps on defense and non-defense discretionary spending in fiscal years 1998 and 1999; starting in fiscal year 2000, however, these separate caps disappear and are replaced by one overall cap on total discretionary spending. Many budget and Congressional observers expect Congress to increase spending levels for defense after 1999, causing still-deeper cuts in non-defense discretionary programs. Reductions in non-defense discretionary programs made as a result of increased highway spending thus would be in addition to both the reductions precipitated by the budget agreement and any additional reductions caused by increases in defense spending.
- Furthermore, the highway bill's sponsors seek to *guarantee* that no matter how severe the crunch becomes on other areas of non-defense discretionary spending in coming years, highway programs will get every penny of the increased funding the highway bill calls for, and other programs will be reduced correspondingly. Rep. Bud Shuster, chairman of the House Transportation Committee and principal author of the House highway bill, is apparently seeking in conference to place a "firewall" around highway and mass transit spending. This would insure that even if the increases in highway spending are perceived in coming years to be overly generous when compared to the painful reductions being meted out to other discretionary programs, no reallocation of funds from highways to other areas is permitted. This Shuster proposal would prevent Congress from making budget priorities decisions on a level playing field, locking in the spending increases in the highway bill through at least 2002.
- In theory, the conference committee on the highway bill could adopt the approach set forth in the Senate budget resolution, which attempts to pay for highway spending increases through reductions in entitlements and other mandatory programs, rather than through deeper cuts in discretionary programs. But the approach reflected in the Senate budget resolution is, at best, likely to offset only a modest share of the increased highway spending. That would still leave reductions in discretionary programs bearing most of the load of paying for the highway bill.

highways and mass transit would have been lower, and the amount by which the highway bill would increase highway spending above the budget agreement levels would have been larger than the figures cited here.

CBO Affirms that the Highway Trust Fund Will Not "Pay" for Increased Highway Spending

On April 28, 1998, June O'Neill, director of CBO, wrote to Senator Pete Domenici, Chairman of the Senate Budget Committee, in response to several questions the Senator posed regarding the highway bills. In its letter, CBO dispels the myth that the increases proposed in the Senate and House highway bills would be offset by gas tax receipts earmarked for the Highway Trust Fund or by cash balances in that trust fund. The CBO letter states that discretionary spending on highways falls under the discretionary caps and an increase in such spending necessitates corresponding reductions in other discretionary programs. Excerpts from the CBO letter follow.

1. Why are gas tax receipts not an offset to ISTEA spending?

"Most of the ISTEA outlays are discretionary — subject to annual obligation limitations in appropriation acts — and thus fall under the discretionary caps. The excise taxes, in contrast, are subject to the pay-as-you-go mechanism; changes in such taxes can only be offset, for pay-as-you-go purposes, by changes in other revenues or in direct [i.e., mandatory] spending that were enacted in authorizing bills."

"Both S. 1173 and HR. 2400 [the Senate and House highway bills] would only have modest effects on revenues over the next five years but would substantially increase spending for surface transportation programs (assuming appropriation action consistent with the bills). Thus, even if the separate budgetary categories did not exist, the small changes in revenues resulting from S. 1173 or HR. 2400 would not offset the additional spending."

2. Why is the current Highway Trust Fund cash balance not an offset to ISTEA spending?

"... the cash balance in the trust fund reflects tax revenues that the government has already received and has counted in calculating the budget deficit or surplus. Counting the balance as an offset to spending [such as the spending in the highway bill] would have the effect of counting revenues twice."

3. Why is reducing or eliminating the current cash balance in the Highway Trust Fund not an offset to ISTEA spending?

"The cash balance of the Highway Trust Fund plays no part in calculating the deficit or surplus because it is neither a receipt nor an expenditure. It is simply a summary of previous budgetary transactions — the prior deposits into the fund less the prior spending out of the fund. Eliminating or reducing the cash balance without changing federal spending or revenues...would have no effect on the surplus or deficit."

This is true for several reasons. First, the Senate budget resolution does not appear to contain enough mandatory spending reductions to pay for the full cost of the highway bill. Second, the Senate budget resolution assumes the appropriations committees will make significant cuts in *mandatory* programs over which they normally lack jurisdiction to produce savings sufficient to offset the additional highway spending. That, however, is likely to prove difficult politically for the appropriations committees. Nothing in the budget resolution would obligate them to make these reductions in mandatory programs, and some of the cuts are highly controversial. For example, more than half of the mandatory programs savings the Senate budget resolution assumes the appropriations committees will make to pay for the added highway spending would come from a contentious proposal to deny veterans' disability compensation benefits to veterans who smoked while in the armed forces and later developed smoking-related disabilities. Although this proposal also is in the Administration's budget, numerous Members of both parties oppose it, and the House has gone on record against it. If this proposal is not enacted, half of the mandatory savings that the Senate budget resolution assumes will be used to pay for highway spending increases will evaporate. Under the Senate budget resolution approach, any savings that are assumed to come from mandatory programs reductions but are not enacted must be made up by cuts in discretionary programs instead.

The approach reflected in the Senate budget resolution also would be likely to run into roadblocks in the House. The Senate budget resolution approach uses savings in mandatory programs to offset highway spending costs so that discretionary programs do not have to be reduced further. Conservative House Republicans apparently would prefer to use mandatory program reductions to pay for tax cuts and seem ready to make deeper reductions in non-defense discretionary programs. In fact, the draft House budget resolution that House Budget Committee chairman John Kasich has recently produced is widely reported to include further reductions in non-defense discretionary spending of \$100 billion to \$150 billion over five years, on top of the reductions in last year's budget agreement.

- One other point also may be noted about the Senate budget resolution approach. To the extent that some reductions in mandatory programs are used to pay for a modest portion of the increased highway expenditures, these savings become unavailable to pay for initiatives in the President's budget. Most of the mandatory program reductions that the Senate budget resolution assumes would help pay for the added highway spending are reductions the President's budget would use to finance

Administration initiatives. The combined effect of losing financing for Presidential initiatives and having to make deeper reductions in overall funding for non-defense discretionary programs (other than highways and mass transit) would likely mean that some discretionary program areas that the President's budget proposed to increase would instead find themselves subject to cuts in the years ahead.

Background on the Discretionary Caps

In negotiating the Balanced Budget Agreement, Congress and the President agreed to extend the strict spending limits on discretionary programs that have been in place since 1991. These limits, known as caps, were set in law through 2002.

Defense and non-defense discretionary programs operate under separate caps until the end of fiscal year 1999. After that, defense and non-defense discretionary programs are subject to a single cap. The discretionary part of the federal budget encompasses a wide range of government responsibilities, including the military, international programs, NASA, civilian energy, agricultural and biomedical research, environment, national parks, community and economic development, education, job training, Head Start, public health programs, housing, veterans hospitals, law enforcement, rural programs, general governmental operations, and highways, among others. Funding for these programs as a whole cannot exceed the amount of the caps without triggering automatic across-the-board cuts in discretionary programs.

The caps the Balanced Budget Agreement established are quite restrictive; under these caps, the total amount of inflation-adjusted spending available for discretionary programs shrinks over the next several years. Programs must be reduced or eliminated if overall spending is to fit within the caps. If Congress continues to abide by the defense spending levels assumed in last year's budget agreement (which assumed that the relative shares of discretionary spending that go to defense and non-defense programs would remain essentially stable), expenditures for non-defense discretionary programs (including highway spending) will by 2002 be 8.4 percent below the 1998 level, after adjusting for inflation.

The Highway Bill Takes Substantial Funding Away from Other Programs

The highway bill would deepen the cuts required in discretionary programs other than highway and mass transit programs, because it would increase highway and mass transit spending and leave less money for other discretionary programs under the discretionary spending caps. The highway bill the House has passed would raise highway and mass transit spending to a level 25.7 percent higher in 2002 than its 1998 level, after adjusting for inflation. As explained below, the House version of the highway bill also would wall off highway and mass transit spending from other

The Effect of the Highway Bill on Discretionary Spending
Discretionary spending, in billions of FY 1998 dollars

	<u>1998</u>	<u>1999</u>	<u>Fiscal year</u> <u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Percent change,</u> <u>1998 to 2002</u>
Discretionary spending levels agreed to in the Balanced Budget Agreement of 1997						
Highways and Mass Transit*	\$25.2	\$25.3	\$25.1	\$24.6	\$24.1	-4.6%
Other non-defense programs	\$261.2	\$261.3	\$257.5	\$249.9	\$238.4	-8.7%
Defense	\$266.8	\$260.9	\$257.5	\$253.0	\$249.2	-6.6%
Total	\$553.3	\$547.5	\$540.2	\$527.5	\$511.7	-7.5%
Discretionary spending levels under House version of the highway bill.						
Highways and Mass Transit*	\$25.2	\$27.2	\$29.7	\$31.6	\$31.7	+25.7%
Other non-defense programs	\$261.2	\$259.4	\$252.9	\$243.0	\$230.8	-11.7%
Defense	\$266.8	\$260.9	\$257.5	\$253.0	\$249.2	-6.6%
Total	\$553.3	\$547.5	\$540.2	\$527.5	\$511.7	-7.5%

* Highways and other discretionary programs covered by The House highway bill (H.R. 2400)

Notes:

CBPP calculations based on CBO estimates of H.R. 2400 and the Bipartisan Budget Agreement (May 15, 1997)

Assumes all nominal increases in Transportation spending under the Budget Agreement go to highways and mass transit. (See footnote 2.)

discretionary spending, thereby guaranteeing that deeper cuts must be made in other discretionary programs.

Each extra dollar in discretionary spending the bill gives to highways and mass transit must be taken from other discretionary programs, unless the extra spending is offset by cuts in mandatory programs. Since defense spending is unlikely to be reduced below the levels assumed in the balanced budget agreement (and may be raised to levels higher than that), increases in discretionary spending for highways and mass transit programs will, in all probability, need to be paid for through deeper cuts in other non-defense discretionary programs.

As the table above shows, if the House version of the highway bill is enacted, total spending on all non-defense discretionary programs other than highways and mass transit will have to be cut a cumulative total of \$58.8 billion between 1998 and 2002. In 2002 alone, spending on these programs will have to be \$30.4 billion — or 11.7 percent — below the 1998 level, after adjustment for inflation.

The House bill also would ensure that Congress could not lessen the magnitude of the reductions in non-defense programs in future years by paring back the highway

and mass transit spending increases. The House bill would take highway and mass transit spending "off budget" and result in lower caps being applied to other discretionary spending.³ Rep. Bud Shuster, chairman of the House Transportation Committee, has suggested an alternative approach for conference, but the alternative approach would have essentially the same effect. It would place highway and mass transit spending under a separate cap and lower the cap for other discretionary spending accordingly.

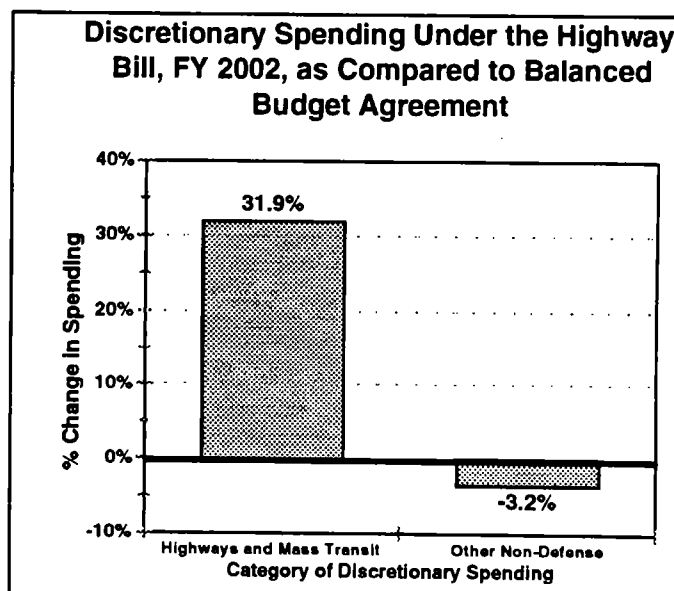
In either case, the impact on other discretionary programs would essentially be the same — these programs would be reduced by the amount the highway bill increases discretionary spending for highway and mass transit programs. Other discretionary programs would have to be cut dollar for dollar by the amount the legislation boosts discretionary spending on highways and mass transit.

The Balanced Budget Agreement itself accorded somewhat more favorable treatment to transportation programs than most other programs, largely due to Chairman Shuster's efforts last year. (See table on page 7.) The pending highway legislation goes much further. In the year 2002 alone, discretionary spending on highways and mass transit under the House highway bill would be \$7.7 billion, or 31.9 percent, above the level the budget agreement envisioned. Other non-defense discretionary spending would have to be cut \$7.7 billion below the level the budget agreement assumed for 2002.

Defense Spending Increases May Further Erode Funding for Non-Defense Discretionary Programs

The estimates cited above assume that defense and non-defense programs will retain approximately the same shares of total discretionary spending over the next five years. Beginning in 2000, however, the budgetary mechanism that prevents Congress from cutting non-defense programs more deeply to increase funding for the military (and vice versa) will disappear.

Defense spending has been reduced over the course of recent



³ Under the Budget Enforcement Act, if a program is taken "off-budget," there is a corresponding reduction in the discretionary caps.

years, and proponents of a larger military clearly intend to push for increases in defense spending at the expense of non-defense programs as soon as the opportunity arises. (Some, including Representative Floyd Spence, chairman of the House National Security Committee, are even urging Congress to reopen the budget agreement now to increase defense spending. Spence recently declared: "How are the military services supposed to stabilize their downsized post-Cold War force structure, protect quality of life and readiness, and end the decade-long procurement 'holiday' when they lose purchasing power every year?"⁴) Many budget observers, including the authors of this paper, believe it is likely Congress will raise defense spending over the next few years to levels exceeding those assumed in the budget agreement. Doing so would mean that reductions in non-defense discretionary programs would be larger than the figures cited here.

Military spending thus is likely to grow at the same time that highway spending would increase. If defense spending is raised to higher levels than those the budget agreement assumed and the House highway becomes law, non-defense discretionary programs will need to be cut more than 11.7 percent by 2002.

Furthermore, some non-defense programs Congress favors may receive special treatment. If such programs receive additional funding, or if they simply receive enough to keep up with inflation and are not reduced, that will further shrink the funds available to other non-defense discretionary programs.

Despite the likelihood of reductions in discretionary programs, some in the House are proposing still deeper cuts in the overall amount available for non-defense discretionary programs. According to news reports, the budget resolution that House Budget Committee chairman John Kasich has written and is discussing with other House Republicans would lower the discretionary caps and cut non-defense discretionary funding by an additional \$100 billion or more over the next five years, on top of the reductions in last year's budget agreement.

The Senate Budget Resolution and Increased Highway Spending

Both the Senate and House versions of the highway bill increase highway spending substantially over the levels reflected in the budget agreement. Neither version of the highway bill pays for these increases by making offsetting cuts in other programs.

Some in the Senate have said the Senate version of the budget resolution would pay for increased highway spending without requiring additional reductions in other discretionary programs. The Senate budget resolution envisions that Congress would

⁴ "Rep. Kasich Stirs up a Low-Calorie Budget", *Washington Post*, April 26, 1998.

accommodate the increased highway spending by writing offsetting cuts in entitlements and other mandatory (i.e., non-discretionary) programs into this year's appropriations bills.

There is strong reason to believe, however, that only a modest portion — if any — of these mandatory savings will actually materialize as offsets to the increased highway expenditures. The budget resolution is not a piece of legislation; it cannot make these cuts itself. The appropriation committees would have to do that. But some of the assumed mandatory cuts are highly controversial and will be politically difficult to achieve. It is far from clear that appropriators will be willing — or more important, will be able — to make some or all of these cuts. In addition, the process of using cuts in mandatory programs to offset increased discretionary spending might not be acceptable to the House, where a number of conservative Members would prefer to use savings from reductions in mandatory programs for larger tax cuts and appear ready to exact further reductions in non-defense discretionary programs.

A budget resolution is only a framework for the development of legislation and generally can enforce reductions in mandatory programs only through "reconciliation instructions." This year's Senate budget resolution contains no reconciliation instructions. Even if the Senate budget resolution approach for financing highway spending increases is ultimately written into the final budget resolution that both the Senate and House adopt, there likely will be no enforcement mechanism to require that the proposed reductions in mandatory programs actually be made.

Moreover, the Senate budget resolution does not actually contain these mandatory program reductions. The Senate Budget Committee report accompanying the budget resolution simply lists reductions in mandatory programs that it assumes the appropriations committees will make during the appropriations process.

Some of the mandatory savings listed in the Senate Budget Committee report will be difficult to secure. More than half of the mandatory savings the Senate budget resolution assumes will be used to pay for increased highway spending — \$10.5 billion out of \$18.5 billion — comes from a proposal to deny veterans disability compensation to veterans with smoking-related disabilities. Although this proposal appears to have merit and also is included in the President's budget, it seems unlikely to pass.

The upshot is that there appears to be little chance that the highway spending increases will be largely or fully offset by reductions in mandatory programs. To the extent that increases in discretionary transportation spending are not offset by reductions in mandatory programs, other discretionary programs must be cut.

Presidential Priorities Endangered

A final point is that if some of the mandatory savings listed in the Senate Budget Committee report *are* used to offset a portion of the increase in highway spending, that will have other consequences. Virtually all of the mandatory savings measures the Senate Budget Committee envisions using to pay for added highway spending are proposals included in the President's budget to pay for Administration initiatives. To the extent these savings are used to pay for highway spending increases instead, various initiatives will be left without a financing mechanism.

The impact of the highway bill both on discretionary programs in general and on the Clinton initiatives in particular does not appear to be well understood. Supporters of some discretionary programs that the President's budget would increase may assume the question is what portion of the proposed increase these programs will receive. But in many cases, it appears such programs may more likely to be reduced over the next five years than expanded.

The President's budget substantially increased the discretionary caps; it used a combination of anticipated tobacco legislation revenue, revenue from closing certain tax breaks, and mandatory program savings to pay for the increase in the caps. The Congressional majority is rejecting that approach and, as noted, it may seek to reduce the caps. (In addition, the Congressional Budget Office has estimated the President's budget falls \$32.3 billion short over five years of fully offsetting the cost of its initiatives.)

The bottom line is that if highway spending is increased without raising the discretionary caps, other discretionary programs must be cut. There is no way around that budgetary arithmetic. The question increasingly appears to be how large the additional cuts in discretionary programs will be.

Conclusion

Since highway spending falls under the discretionary caps, increases in it must come at the price of reductions in other discretionary programs, unless mandatory offsets are found. Neither the House nor the Senate highway bills include mandatory offsets. The Senate budget resolution assumes mandatory offsets but cannot make these reductions itself. And it is likely the appropriations committees will not be able to make many of the mandatory program reductions the Senate budget resolution assumes.

Non-defense discretionary programs consequently are likely to bear the brunt of most of the increased spending in the highway bill. Furthermore, the emerging question regarding many of the initiatives in the Clinton budget is not what portion of the initiative will be salvaged but how much more deeply discretionary programs overall — including some of the discretionary programs the Administration has proposed to expand — may be sliced over the next five years.

 **CENTER ON BUDGET
AND POLICY PRIORITIES**

820 First Street, NE, Suite 510
Washington, DC 20002
Telephone: 202/408-1080
Fax: 202/408-1056

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Ellen Nissenbaum
highway spending
May 1, 1998
13

The following recent Center piece shows the affects the highway bill will likely have on other non-defense discretionary programs.

FYI - Working closely with Congressmen Spratt and Fazio, we are organizing the following letter from national organizations.

CENTER ON BUDGET AND POLICY PRIORITIES

April 30, 1998

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by Sam Elkin and Robert Greenstein

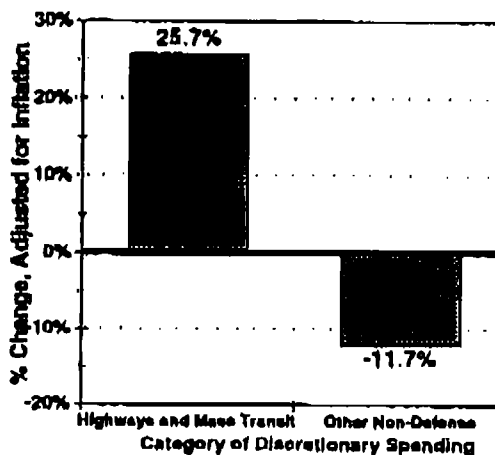
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3. Why is reducing or eliminating the current cash balance in the Highway Trust Fund not an offset to ISTEA spending?

"The cash balance of the Highway Trust Fund plays no part in calculating the deficit or surplus because it is neither a receipt nor an expenditure. It is simply a summary of previous budgetary transactions — the prior deposits into the fund less the prior spending out of the fund. Eliminating or reducing the cash balance without changing federal spending or revenues...would have no effect on the surplus or deficit."

This is true for several reasons. First, the Senate budget resolution does not appear to contain enough mandatory spending reductions to pay for the full cost of the highway bill. Second, the Senate budget resolution assumes the appropriations committees will make significant cuts in *mandatory* programs over which they normally lack jurisdiction in order to produce savings sufficient to offset the additional highway spending. That, however, is likely to prove difficult politically for the appropriations committees to do. Nothing in the budget resolution would obligate them to make these reductions in mandatory programs, and some of the cuts are highly controversial. For example, more than half of the mandatory programs savings the Senate budget resolution assumes the appropriations committees will make in order to pay for the added highway spending would come from one especially contentious proposal — a proposal to deny veterans' disability compensation benefits to veterans who smoked while in the armed forces and later developed smoking-related disabilities. Although this proposal also is in the Administration's budget, numerous Members of both parties oppose it, and the House has gone on record against it. If this proposal is not enacted, half of the mandatory savings the Senate budget resolution assumes will be used to pay for highway spending increases evaporates. Under the Senate budget resolution approach, any savings that are assumed to come from mandatory programs reductions but are not enacted must be made up by cuts in discretionary programs instead.

The approach reflected in the Senate budget resolution also would be likely to run into roadblocks in the House. The Senate budget resolution approach essentially raises the discretionary caps (to accommodate the increases in highway spending) to the extent that reductions in mandatory programs are written into the appropriations bills. House Republicans are unlikely to accept any increase in the discretionary caps. In fact, the draft House budget resolution that House Budget Committee chairman John Kasich has recently produced is widely reported to include further *reductions* in non-defense discretionary spending of \$100 billion over five years, on top of the reductions in last year's budget agreement.

- One other point also may be noted about the Senate budget resolution approach. To the extent that some reductions in mandatory programs are used to pay for a modest portion of the increased highway expenditures, these savings become unavailable to pay for initiatives in the President's budget. Most of the mandatory program reductions that the Senate

budget resolution assumes would help pay for the added highway spending are reductions the President's budget used to finance

Administration initiatives. The combined effect of losing financing for Presidential initiatives and having to make deeper reductions in overall funding for non-defense discretionary programs (other than highways and mass transit) would likely mean that some discretionary program areas the President's budget proposed to increase would instead find themselves subject to cuts in the years ahead.

Background on the Discretionary Caps

In negotiating the Balanced Budget Agreement, Congress and the President agreed to extend the strict spending limits on discretionary programs that have been in place since 1991. These limits, known as caps, were set in law through 2002.

Defense and non-defense discretionary programs operate under separate caps until the end of fiscal year 1999. After that, defense and non-defense discretionary programs are subject to a single cap. The discretionary part of the federal budget encompasses a wide range of government responsibilities, including the military, international programs, NASA, civilian energy, agricultural and biomedical research, environment, national parks, community and economic development, education, job training, Head Start, public health programs, housing, veterans hospitals, law enforcement, rural programs, general governmental operations, and highways, among others. Funding for these programs as a whole cannot exceed the amount of the caps without triggering automatic across-the-board cuts in discretionary programs.

The caps the Balanced Budget Agreement established are quite restrictive; under these caps, the total amount of inflation-adjusted spending available for discretionary programs shrinks over the next several years. Programs must be reduced or eliminated if overall spending is to fit within the caps. If Congress continues to abide by the defense spending levels assumed in last year's budget agreement (which assumed that the relative shares of discretionary spending that go to defense and non-defense programs would remain essentially stable), by 2002, expenditures for non-defense discretionary programs (including highway spending) will be 8.4 percent below the 1998 level, after adjusting for inflation. (If every non-defense program were to absorb the cuts evenly, each would have to be cut 8.4 percent. If a program is cut by an amount smaller than 8.4 percent or is increased, cuts in other non-defense discretionary programs must be larger.)

The Highway Bill Takes Substantial Funding Away from Other Programs

The highway bill would deepen the cuts required in discretionary programs other than highway and mass transit programs, because it would increase highway and mass transit spending and leave less money for other discretionary programs under the

discretionary spending caps. The highway bill the House has passed would raise highway and mass transit spending to a level 25.7 percent higher in 2002 than its 1998 level, after adjusting for inflation. As explained below, the House version of the highway bill also would wall off highway and mass transit spending from other discretionary spending, thereby essentially guaranteeing that deeper cuts must be made in other discretionary programs.

The Effect of the Highway Bill on Discretionary Spending
Discretionary spending, in billions of FY 1998 dollars

	Fiscal year					Percent change, 1998 to 2002
	1998	1999	2000	2001	2002	
Discretionary spending levels agreed to in the Balanced Budget Agreement of 1997						
Highways and Mass Transit*	\$25.2	\$25.3	\$25.1	\$24.6	\$24.1	-4.6%
Other non-defense programs	\$261.2	\$261.3	\$257.5	\$249.9	\$238.4	-8.7%
Defense	\$266.8	\$280.9	\$257.5	\$253.0	\$249.2	-6.6%
Total	\$553.3	\$547.5	\$540.2	\$527.5	\$511.7	-7.5%
Discretionary spending levels under House version of the highway bill.						
Highways and Mass Transit*	\$25.2	\$27.2	\$29.7	\$31.6	\$31.7	+25.7%
Other non-defense programs	\$261.2	\$259.4	\$252.9	\$243.0	\$230.8	-11.7%
Defense	\$266.8	\$260.9	\$257.5	\$253.0	\$249.2	-6.6%
Total	\$553.3	\$547.5	\$540.2	\$527.5	\$511.7	-7.5%

* Highways and other discretionary programs covered by The House highway bill (H.R. 2400)

Notes:

CBPP calculations based on CBO estimates of H.R. 2400 and the Bipartisan Budget Agreement (May 15, 1997)

Assumes all nominal increases in Transportation spending under the Budget Agreement go to highways and mass transit. (See footnote 2.)

Each extra dollar in discretionary spending the bill gives to highways and mass transit must be taken from other discretionary programs, unless the extra spending is offset by cuts in mandatory programs. Since defense spending is unlikely to be reduced below the levels assumed in the balanced budget agreement (and may be raised to levels higher than that), increases in discretionary spending for highways and mass transit programs will, in all probability, need to be paid for through deeper cuts in other non-defense discretionary programs.

As the table above shows, if the House version of the highway bill is enacted, total spending on all non-defense discretionary programs outside highways and mass transit will have to be cut a cumulative total of \$58.8 billion between 1998 and 2002. In

2002 alone, spending on these programs will have to be \$30.4 billion — or 11.7 percent — below the 1998 level, after adjustment for inflation.

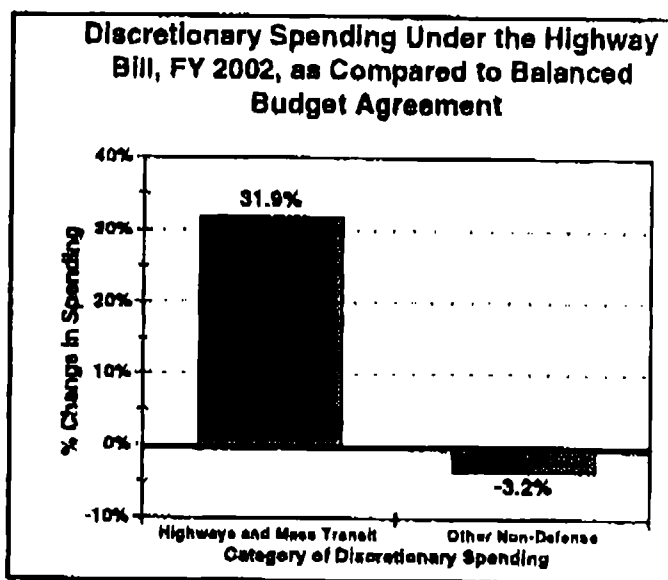
The House bill also would ensure that Congress could not lessen the magnitude of the reductions in non-defense programs in future years by paring back the highway and mass transit spending increases. The House bill would take highway and mass transit spending "off budget" and result in lower caps being applied to other discretionary spending.³ Rep. Bud Shuster, chairman of the House Transportation Committee, has suggested an alternative approach for conference, but the alternative approach would have essentially the same effect. It would place highway and mass transit spending under a separate cap and lower the cap for other discretionary spending accordingly.

In either case, the impact on other discretionary programs would be essentially the same — these programs would be reduced by the amount the highway bill increases discretionary spending for highway and mass transit programs. Other discretionary programs would have to be cut dollar for dollar by the amount the legislation boosts discretionary spending on highways and mass transit.

The Balanced Budget Agreement itself accorded somewhat more favorable treatment to transportation programs than to most other programs, largely due to Chairman Shuster's efforts last year. (See table on page 7.) The pending highway legislation goes much further. In the year 2002 alone, discretionary spending on highways and mass transit under the House highway bill would be \$7.7 billion, or 31.9 percent, above the level the budget agreement envisioned. Other non-defense discretionary spending would have to be cut \$7.7 billion below the level the budget agreement assumed for 2002.

Defense Spending Increases May Further Erode Funding for Non-Defense Discretionary Programs

The estimates cited above assume that defense and non-defense programs will retain approximately the same shares of total discretionary



³ Under the Budget Enforcement Act, if a program is taken "off-budget," there is a corresponding reduction in the discretionary caps.

spending over the next five years. Beginning in 2000, however, the budgetary mechanism that prevents Congress from cutting non-defense programs more deeply to increase funding for the military (and vice versa) will disappear.

Defense spending has been reduced over the course of recent years, and proponents of a larger military clearly intend to push for increases in it at the expense of non-defense programs as soon as the opportunity arises. (Some, including Representative Floyd Spence, chairman of the House National Security Committee, are even urging Congress to reopen the budget agreement now to increase defense spending. Spence recently declared: "How are the military services supposed to stabilize their downsized post-Cold War force structure, protect quality of life and readiness, and end the decade-long procurement 'holiday' when they lose purchasing power every year?"⁴) Many budget observers, including the authors of this paper, believe it is likely Congress will raise defense spending over the next few years to levels exceeding those assumed in the budget agreement. Doing so would mean reductions in non-defense discretionary programs would be larger than the figures cited here.

Military spending thus is likely to grow at the same time that highway spending would increase. If defense spending is raised to higher levels than those the budget agreement assumed and the House highway becomes law, non-defense discretionary programs will need to be cut by more than 11.7 percent by 2002.

Furthermore, some non-defense programs Congress favors may receive special treatment. If such programs receive additional funding, or if they simply receive enough to keep up with inflation and are not reduced, that will further shrink the funds available to other non-defense discretionary programs.

Despite the probability of reductions in discretionary programs, some in the House are proposing still deeper cuts in the overall amount available for non-defense discretionary programs. According to news reports, the budget resolution that House Budget Committee chairman John Kasich has written and is discussing with other House Republicans would lower the discretionary caps and cut non-defense discretionary funding by as much as an additional \$100 billion over the next five years, on top of the reductions in last year's budget agreement.

The Senate Budget Resolution and Increased Highway Spending

Both the Senate and House versions of the highway bill increase highway spending substantially over the levels reflected in the budget agreement. Neither version of the highway bill pays for these increases by making offsetting cuts.

⁴ "Rep. Kasich Stirs up a Low-Calorie Budget", *Washington Post*, April 26, 1998.

Some in the Senate have said the Senate version of the budget resolution would pay for the increased highway spending bill without requiring additional reductions in other discretionary programs. The Senate budget resolution envisions that Congress would essentially raise the discretionary caps to accommodate the increased highway spending and would do so by writing offsetting cuts in entitlements and other mandatory (i.e., non-discretionary) programs into this year's appropriations bills.

There is strong reason to believe, however, that only a modest portion — if any — of these mandatory savings will ultimately be used to offset the increased highway expenditures. The budget resolution is not a piece of legislation; it cannot make these cuts itself. The appropriation committees would have to do that. But some of the assumed mandatory cuts are highly controversial and will be politically difficult to achieve. It is far from clear that appropriators will be willing — or more important, will be able — to make some or all of these cuts. Moreover, the process of using cuts in mandatory programs to offset increased discretionary spending — and to allow overall discretionary spending to rise — is unlikely to be acceptable to the House, where many conservative Members want to cut non-defense discretionary spending further and to use any savings from reductions in mandatory programs for tax cuts.

A budget resolution is simply a framework for the development of legislation. In general, a budget resolution can enforce cuts in mandatory programs only through "reconciliation instructions." This year's Senate budget resolution contains no reconciliation instructions. Even if the Senate budget resolution approach for financing increases in highway spending is ultimately reflected in the final budget resolution, there will likely be no enforcement mechanism to require the proposed reductions in mandatory programs actually to be made.

Moreover, the Senate budget resolution itself does not actually contain these mandatory program reductions. The Senate Budget Committee report accompanying the budget resolution simply lists reductions in mandatory programs that it assumes the appropriations committees will make during the appropriations process.

Much of the mandatory savings listed in the Senate Budget Committee report are controversial. More than half of the mandatory savings the Senate budget resolution assumes will be used to pay for increased highway spending — \$10.5 billion out of \$18.5 billion — comes from a proposal to deny veterans disability compensation to veterans with smoking-related disabilities. Although this proposal appears to have merit and also is included in the President's budget, it seems unlikely to pass.

The upshot is that there appears to be little chance the highway spending increases will be largely or fully offset by reductions in mandatory programs. To whatever extent increases in discretionary transportation spending are not offset by mandatory program reductions, other discretionary programs must be cut.

Presidential Priorities Endangered

A final point is that if some of the mandatory savings listed in the Senate Budget Committee report *are* used to offset a portion of the increase in highway spending, that will have other consequences. Virtually all of the mandatory savings measures the Senate Budget Committee envisions using to pay for added highway spending are proposals that were included in the President's budget to pay for Administration initiatives. To the extent these savings are used to pay for highway spending increases instead, various initiatives are left without a financing mechanism.

The impact of the highway bill both on discretionary programs in general and on the Clinton initiatives in particular does not appear to be well understood. Supporters of some discretionary programs the President's budget would increase may assume the question is what portion of the proposed increase these programs will receive. But in many cases, it appears such programs may more likely to be cut over the next five years than expanded.

The President's budget substantially increased the discretionary caps; it used a combination of anticipated tobacco legislation revenue, revenue from closing certain tax breaks, and mandatory program savings to pay for the increase in the caps. The Congressional majority is rejecting that approach and may, as noted, seek to reduce the caps. (Moreover, the Congressional Budget Office has estimated the President's budget falls \$32.3 billion short over five years of fully offsetting the cost of its initiatives.)

The bottom line is that if highway spending is increased without raising the discretionary caps, other discretionary programs must be cut. There is no way around that budgetary arithmetic. The question increasingly appears to be how large the additional cuts in discretionary programs will be.

Conclusion

Since highway spending falls under the discretionary caps, increases in it must come at the price of reductions in other discretionary programs unless mandatory offsets are found. Neither the House nor the Senate highway bills include mandatory offsets. The Senate budget resolution assumes mandatory offsets but cannot make the necessary reductions itself. It is probable the appropriations committees will not be able to make many of the mandatory program reductions the Senate budget resolution assumes. Non-defense discretionary programs consequently are likely to bear the brunt of most of the increased spending in the highway bill. And with regard to many of the initiatives in the Clinton budget, the emerging question is not how much of the initiatives will be salvaged but how much more deeply discretionary programs overall — including some of the very programs the Administration has proposed to expand — may be sliced over the next five years.

IF YOU'RE INTERESTED IN SIGNING THIS LETTER PLEASE CONTACT ELLEN NISSENBAUM OR SARA THOM AT THE CENTER ON BUDGET AND POLICY PRIORITIES BY COB TUESDAY, MAY 5.

Call (202) 408-1080 or e-mail at Thom@cbpp.org

LETTER TO BESTEA CONFEREES

The Senate and House highway bills provide significant increases in highway funding to levels well above those envisioned under the 1997 balanced budget agreement. We are writing to express our deep concern with the impact this large increase in highway funding is likely to have on other important non-defense discretionary programs.

The Balanced Budget Agreement established legally binding caps on discretionary spending for each year through fiscal 2002. Under this structure, increases in funding for any single discretionary program necessarily reduces the amount left for other discretionary programs. Accordingly, the large increases in discretionary spending contained in the highway bill will almost certainly lead to decreases in funding for other non-defense discretionary programs. Education, environment, agriculture, veterans' health and benefit delivery, public health, housing, law enforcement, and other domestic programs could be affected. It's estimated that if the House-passed highway bill becomes law, discretionary highway spending will increase 26% in real terms from 1998 through 2002, while the remaining nondefense programs will decrease 12 percent in real terms.

We are particularly concerned about proposals under consideration in the conference committee that effectively would guarantee a certain level of highway spending. We understand there is discussion about establishing a separate cap for highway spending which would result in a lower cap for other discretionary spending. This would mean that for every dollar of increased highway spending, there automatically would be one less dollar for other non-defense programs. We strongly oppose such a measure.

Under the 1997 balanced budget law, the total amount of inflation-adjusted funding for discretionary programs shrinks over the next several years, forcing future reduction in appropriations for such programs. To increase highway funding substantially and then place a firewall around it at the same time that overall discretionary funding is coming down, will put other critical investment programs at risk. Faced with limited resources, Congress should be able to consider all non-defense discretionary programs equally and make funding choices from a level playing field on the merits of each program.

We urge you to both scale back the level of increase for highways in the final conference agreement and to reject efforts to establish a separate cap for highway spending or any other mechanism that would effectively wall off highway spending and prevent Congress from considering priorities across all discretionary programs.

Sincerely,



NATIONAL EDUCATION ASSOCIATION

Robert F. Chase, President
Reg Weaver, Vice President
Dennis Van Rockel, Secretary-Treasurer
Don Cameron, Executive Director

1201 16th Street, N.W.
Washington, D.C. 20036-3290

GOVERNMENT RELATIONS
Mary Elizabeth Teasley, Director
202-822-7321 Fax 202-822-7306

April 29, 1998

United States House of Representatives
Washington, D.C. 20515

Dear Conferee:

On behalf of the 2.3 million-member National Education Association (NEA), we are writing to express our strong reservations about the funding levels contained in H.R. 2400, the Intermodal Surface Transportation Efficiency Act (ISTEA) reauthorization. We are greatly concerned that this bill's increased spending for surface transportation will interfere with and prevent essential increases in education funding.

According to the Congressional Budget Office, both the House- and Senate-passed versions of H.R. 2400 would exceed the caps on domestic discretionary spending by \$33 to 34 billion. Because the current spending caps fail even to keep pace with inflation, increased investments in education are already proving difficult to achieve. Enactment of this bill will make it even more difficult to obtain increases in such important programs as Head Start, funding for children with disabilities under the Individual With Disabilities Education Act, professional development for teachers, Title I math and reading skills, or Pell grants for college students.

Any effort to offset the spending increases in H.R. 2400 by reducing domestic discretionary spending below the levels provided in the current caps is unacceptable to NEA. We are also concerned that finding mandatory offsets for this spending will make it more difficult to pay for other vital education initiatives, such as school modernization and hiring 100,000 new teachers to reduce class size.

While NEA appreciates the importance of highways and mass transit to our nation, recent polling indicates that the public places a higher priority on increasing funding for education. A bipartisan poll conducted in January by the Tarrance Group and Greenberg Quinlan Research found that in rating federal spending priorities, 79 percent of the American public chose school renovation and modernization over highway construction. We urge you to support a fiscally responsible surface transportation bill that will not jeopardize funding for programs that benefit children and public education.

Sincerely,

A handwritten signature in cursive script that reads "Mary Elizabeth Teasley".

Mary Elizabeth Teasley
Director of Government Relations

DRAFT – NOT FOR RELEASE

April 30, 1998

The Honorable Bud Shuster
Chairman
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

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

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

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

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

New FF
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from
Chuck
Brown

from
DOT

Minarik

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VA &
environment

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

previously
said
NDD

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

DOT

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

speaking

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

Sincerely,

Franklin D. Raines
Director

IDENTICAL LETTER SENT TO CHAIRMEN AND RANKING MEMBERS
OF THE COMMITTEES OF JURISDICTION

(4/30 DRAFT)

DOT LETTER TO CONFEREES

As conferees meet on H.R. 2400 to resolve differences between the *Intermodal Surface Transportation Efficiency Act of 1998* and the *Building Efficient Surface Transportation and Equity Act of 1998*, I write to offer the Administration's views on major programmatic issues raised by this significant and urgently needed legislation. I congratulate Members for their bipartisan efforts to achieve enactment of a reauthorization bill, and I pledge the Administration's assistance throughout the conference process to achieve legislation the President can sign.

Budget
in
Slater
letter

OMB Director Raines, in a separate letter, has communicated the Administration's serious concerns about the excessive funding levels in this legislation. I want to emphasize that, while there are many positive aspects to this legislation, the excessive funding levels in both bills remain a paramount concern of the Administration. The funding levels in these bills fail to give due consideration to other priorities in the budget: either they would require unacceptable reduction in high priority discretionary program funding, or they would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first. Both of these outcomes would have unacceptable consequences to the American people. We look forward to working with the conferees to develop legislation that reflects sound transportation policies, that is funded at appropriate levels consistent with preserving the surplus and meeting our nation's other pressing priorities, and that the President can sign. Can

Just over a year ago, the President announced a 6-year, \$175-billion investment program for America's surface transportation system, which I am pleased to see has been the foundation for your bills. We said we needed to put a stronger emphasis on safety programs, and proposed increasing funding for highway safety by about 25 percent. We said we needed to continue to rebuild America, and proposed increasing highway program spending by 30 percent, with comparable increases for transit. We said we needed to invest more in protecting the environment, for research and development, and to help in moving Americans from welfare to work. All of these elements are found in the two bills.

The President's proposal was for a record level of investment in the nation's infrastructure, which can be accommodated within the framework of a balanced budget. The House and Senate bills retain ISTEA's core programs for transit and highways, which will allow us to continue our progress in rebuilding America and competing effectively in the global economy. Moreover, important safety and environmental programs are continued and enhanced. Both bills expand opportunity through continuation of an effective Disadvantaged Business Enterprise program,

preservation of important labor standards and employee protection provisions, creation of a new program to help those making the transition from welfare rolls to payrolls, establishment of border crossing and trade corridor provisions crucial for international commerce, and designation of intermodal connectors as part of a National Highway System.

In addition to these positive aspects of the legislation, we have previously indicated our concerns about certain provisions. While progress has been made, some of the Administration's most serious concerns have not been addressed. I believe it is possible for a good bill to emerge from conference if we can work together to accomplish that aim.

Program Funding. As we work together to resolve the specific funding issues, I wish to emphasize that transit programs must continue to receive an equitable share of the bill's total funding and, at a minimum, the same proportion of funds as the Administration recommended in its NEXTEA proposal. With respect to other programs, while the Administration is committed to working with the conferees to craft a bill with acceptable spending levels, we urge the conferees to support adequate funding within these lower overall totals for several key programs. These include NHTSA, safety, the Federal Lands Highway Program, Research and Development, and the Bureau of Transportation Statistics.

We support the Senate language increasing the flexibility for the highway-rail grade crossing program. Additionally, we strongly support continuation of current law governing transfers out of the grade-crossing and hazard-elimination programs, as retained by the House legislation.

Safety. Transportation safety is everyone's paramount concern. The Senate bill requires States to enact legislation establishing a .08 percent blood alcohol content as the national standard for drunk driving. This is a positive step supported strongly by the President to help reduce the terrible loss of life on our highways due to drinking and driving. Further, it is consistent with the approach Congress endorsed in the "zero tolerance" provision contained in the National Highway System Designation Act and the legislation establishing the minimum drinking age nationally. We also support the Senate bill provision to carry out drugged driving research and related programs, and the Senate provision on "open containers" of alcohol in motor vehicles.

The bills provide selective exemptions from Federal truck size and weight limitations that would further complicate an already inconsistent patchwork system, discourage compliance, and pose a substantial hazard to all motorists. These exemptions are ill-advised and we strongly oppose them. We would also oppose any statutory restriction on access to electronic or global positioning system data for enforcement

of motor carrier safety regulations, including drivers' hours of service. Driver fatigue is a major safety problem, and there is no justification for placing more restrictions on federal authorities' ability to assure compliance with hours-of-service standards.

We oppose the Senate bill's "anti-lobbying" provision. This provision would curtail the Department's informational and educational activities for every surface transportation program. Our efforts to implement important highway safety programs, in particular, would be severely affected, since the Department carries out its statutory responsibility to assist the States in developing strong highway safety programs by providing safety information to its State and local partners. The Department's obligation to assist State and local governments to improve highway safety should in no way be compromised, or made ambiguous. We strongly urge you to eliminate this provision from the final bill.

We support the Senate provision to reauthorize the hazardous material transportation safety program that is so important to safe transport of these materials, but object to exceptions from key safety provisions. We also support the Senate provision to help States improve "one-call" systems, and oppose any exceptions from the requirement.

Environment. Although both bills contain provisions that seek to make the integration of environmental and transportation decisionmaking more efficient, we cannot support the many House provisions that compromise fundamental aspects of the National Environmental Policy Act (NEPA) integrated environmental decision-making process. In particular, we strongly oppose delegating NEPA responsibilities to eight states on a pilot basis. The Department of Transportation, in cooperation with the states, should continue to be responsible for ensuring that the environmental impacts of Federally-funded projects are considered from a national perspective. We generally prefer the Senate provisions related to NEPA, which would continue to emphasize integration of transportation and environmental decision-making. However, for this reason, we object to the Senate provision that would prevent states from using the NEPA process for their Metropolitan and Statewide plans.

In addition, we have serious concerns about the House provisions that address conflict of interest, time extensions, and "closing the record." We believe these provisions may actually increase the potential for litigation and delay the NEPA review process.

The House bill also permits a portion of the increase in Congestion Mitigation and Air Quality Improvement Program funding levels to be used for other surface transportation projects. As under current law, we do not object to such transfers in States that do not have non-attainment or maintenance areas. We do, however, object to allowing States that have air quality non-attainment or maintenance areas to transfer funds because it could slow

our progress in achieving national environmental objectives. Therefore, we oppose both the House and Senate provisions related to CMAQ transferability. In addition, we support extending CMAQ funding to particulate matter (PM) nonattainment areas and potential nonattainment areas that may result from the recently promulgated Clean Air Act standards.

Transit. We urge the Conferees not to adopt the House cap limiting preventive maintenance and operating assistance to \$400 million per year. This limitation will particularly hurt the larger urbanized areas -- over 200,000 population -- and will reduce the flexibility that all areas now have under current law. We support the Senate bill provision that allows paratransit that meets the requirements of the Americans with Disabilities Act as an eligible capital expense.

To advance our clean air objectives, we must provide incentives to use transit that are similar to those already provided for automobiles. We urge that the bill include the Senate provision that allows employers to offer their employees transit and vanpool benefits in lieu of compensation, thus equalizing the tax treatment of transit and vanpool benefits with those for parking and eliminating the bias in favor of automobiles.

Demonstration Projects and Other Earmarking. We are extremely concerned about the soaring number of "demonstration" projects -- more than 1500 highway projects totaling \$9 billion over six years (plus unknown additional costs in the outyears) -- all of which circumvent the usual processes for State and local planning and essential public participation. We also object to the House earmarking of Intelligent Transportation System deployment funds. Allocation can be best accomplished in a competitive manner. Finally, while we support the consolidation of the University Research Institutes and University Transportation Centers programs, we do not support earmarking.

Mid-Course Correction. We object to the potential suspension of highway and transit funding in 2001 under the House bill's "mid-course correction" provisions because it could delay the release of program funds and thus disrupt the continuity of these important programs.

Welfare to Work. The House bill limit on the number of projects will make it difficult for States and communities to succeed in meeting their targets for moving people from welfare to work. We urge support of the Senate provision on access to jobs. Both bills authorize \$150 million annually for these projects, which can support many more than 10 projects for six years, and the limitation on the number of projects should be deleted. We also urge the conferees to support employment opportunities for welfare recipients and people in empowerment zones and enterprise communities, as well as outreach and support activities to promote skill improvement for under-represented groups.

Innovative Financing. The Senate bill authorizes State Infrastructure Banks (SIBs) and other innovative financing and credit enhancement provisions. The Administration supports the goal of increasing the ability of States to leverage their transportation resources. However, the Administration strongly opposes the Senate provision for several reasons. We oppose any provision that would permit direct and indirect Federal guarantees, which are prohibited by current tax law. The Administration also opposes the subordination of any Federal loans that would put the Federal Government at undue financial risk, which contravenes Federal policy. Moreover, the proposed credit provision could become a bad precedent for other federal credit programs. In addition, the Administration strongly urges that the bill apply Federal labor standards and employee protection provisions to all projects funded through SIBs and other innovative financing and credit enhancement provisions. The Administration opposes repealing or limiting these critical labor protections afforded to working people on federally assisted highway and transit projects.

Ethanol. The bill should extend the excise tax incentives for ethanol, as the Senate bill does, but without phasing down the rates. This extension is critical to encouraging the use of alternative fuels to improve air quality. Ethanol is a clean-burning, made-in-America fuel that has created thousands of jobs and provided a multi-billion dollar boost to our rural communities and family farmers.

Intermodalism. The Senate bill allows Surface Transportation Program funds and National Highway System funds to be used for inter-city passenger rail and bus projects. It also allows the National Highway System funds to be used for publicly owned intermodal surface freight transfer facilities (other than airports and seaports), but it does not authorize expenditure of Surface Transportation Program funds for any rail freight infrastructure. Experience under ISTEA demonstrates that state and local officials used the project-selection authority wisely, thereby securing the maximum enhancement of our surface transportation system at the least cost. We urge that Congress support, at a minimum, the flexibility that the Senate bill provides and consider applying to the Surface Transportation Program the same flexibility to assist publicly owned freight facilities the Senate bill creates in the NHS category.

Federal Lands Highway Program (FHLHP). We urge the conferees to delete section 115 of the Senate bill, which is a new program and is not in the President's budget. This program would provide money directly to States and counties for highways that cross, lead or are adjacent to federally-owned land or Indian reservations, and provides no role for land management agencies on these projects that could be incompatible with the agencies' management plans and responsibilities. These funds could be redirected into other FHLHP programs.

Frequency Spectrum. The Administration opposes language contained in the Senate bill directing the Federal Communications Commission and the Department of

Commerce to assign spectrum to the Intelligent Transportation System. The Administration urges the conferees to use the language contained in the House version of the bill, which is consistent with the Administration's proposal. Under the House language, the Department of Transportation will work within the Inter-Department Radio Advisory Committee to satisfy spectrum requirements in an efficient and effective manner.

You have the opportunity to shape a surface transportation reauthorization measure that reflects the years of cooperative, productive efforts by all levels of government. Congress, this Administration, States and communities have all been involved in the development of these policies and programs and they will serve us well into the 21st Century. I hope that some of the most contentious issues, especially the ones that threaten the achievement we have made in balancing the budget, will be resolved so that this legislation can be signed.

On behalf of the Administration, let me express our willingness to provide assistance during the conference committee's deliberations. This legislation is critically important, and I look forward to working with you to help draft a compromise that can be signed into law by the President.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, it has no objection to the submission of these views for the consideration of Congress.

Sincerely,

Rodney E. Slater

Enclosure

PROPOSED ENCLOSURE FOR DOT LETTER TO CONFEREES:

ADDITIONAL TRANSPORTATION ISSUES TO BE RESOLVED BY THE CONFEREES

TRANSIT

Transit Project Management Overnight:

We support the House language that allows transit funds to be used for technical assistance to remedy deficiencies.

Transit Asset Disposition:

We support the Senate language that would allow operators to keep sales proceeds, but would urge that it require Department of Transportation approval.

Transit Revenue Bonds:

We support the Senate provision permitting transit agencies to use fare-backed revenue bonds for the local match.

Local Share:

We strongly oppose the Senate provision that permits transit fare revenues to be used as the local match, which is a long-standing prohibition under the Federal transit laws. This change could seriously undermine State and local public support for transit.

Clean Fuels:

We oppose the Senate provision to establish a clean fuels program because all of the activities under this proposed program are eligible under current law. In addition, current law already provides an incentive for the purchase of alternative fueled vehicles.

ENVIRONMENT

NEPA Conflict-of-Interest Considerations

Regarding NEPA conflict of interest provisions, the Administration prefers the Senate bill. In addition, the language should expressly preserve the federal government's obligation to address any objectivity and accuracy concerns by including the following language:

This section shall not relieve the Federal official of his or her responsibilities for the scope, objectivity and content of the entire statement or of any other responsibility under 42 U.S.C. 4321 et seq.

Enhancements. The Administration also oppose the House provision that allows Enhancements funds to be transferred to other highway program categories and the Senate provision that reduces the Enhancements setaside

from 10 percent to 8 percent.

PLANNING

Planning Requirements:

We strongly support requiring consideration of the seven planning categories, as proposed by the Administration and included in the Senate bill, to promote comprehensive and consistent local planning and decision making for highway and mass transit projects. We oppose the Senate language that makes consideration of planning factors voluntary and weakens fiscal constraints requirements.

Fiscal constraint:

We support retaining ISTEA's current financial feasibility requirements for transportation plans, as the House bill does.

ADMINISTRATION AND MANAGEMENT

Penn Station and Union Station Boards:

We support the Senate provision that would authorize the Secretary of Transportation, the Federal Railroad Administrator, and their designees to serve as ex officio members of the Boards of Directors for the Pennsylvania Station Redevelopment and Union Station Redevelopment Corporations.

Appalachian Highway Development System:

The Administration recognizes the importance of the Appalachian Development Highway System (ADHS) and is working diligently towards ensuring its completion. The Administration, however, strongly opposes provisions and amendments that expand the ADHS beyond the currently authorized 3,025 miles.

Metric:

The Administration opposes the provision in the Senate bill that would give States the option of using or not using the metric system in connection with highway construction contracts. This provision would create significant confusion, result in costly duplication in the preparation of engineering documents, contracts advertisements and other materials used in highway projects, and reverse the progress that the majority of States have already made in converting to the uniform metric system.

FINANCING

Boating Safety:

The Administration supports the Senate provision to ensure adequate funding for the Coast Guard's Boating Safety Grant program.

The

Boat Safety Grant program should be treated like the mandatory Sport Fish Restoration Program, with which it splits the deposits into the Aquatic Resources Trust Fund. A strong, stable Boating Safety program is critical to reducing the approximately 800 annual boating fatalities. The Administration objects to the House bill's shifting of motorboat and small engine fuel tax receipts from the General Fund to the Aquatic Resources Trust Fund, which would require a large PAYGO offset.

Rail loans:

The Administration strongly opposes establishing a separate program for providing credit to private railroads. Further, a number of provisions in Title IX are either inconsistent with the Federal Credit Reform Act of 1990 or conflict with Administration guidance for budgeting and managing credit programs. We urge the conference to delete the provisions in Title IX authorizing the Secretary to provide direct loans and loan guarantees totaling \$5 billion for rail purposes.

EMPLOYEE PROTECTIONS

Occupational Safety and Health Protection:

The Senate bill contains a provision originally proposed by the Administration to clarify DOT and Occupational Safety and Health Administration (OSHA) jurisdiction on worker job protections. However, it has become a source of confusion for involved parties, and we now urge a substitute approach. The substitute preserves the 49 U.S.C. 5107 language in the Senate bill, but provides new language for 49 U.S.C. 5106 to eliminate uncertainty about the jurisdictions of the two agencies: DOT would regulate working conditions (other than certain training requirements) for hazardous materials employees "directly engaged in transportation operations," but only after a rulemaking to define this term that is coordinated with the Secretary of Labor.

Whistleblower Protection:

We are concerned that section 402 and 406 of the House bill would reduce workers' whistleblower protections. By amending the definition of the term "commercial motor vehicle" in 49 U.S.C. 31101(1) so that it will be consistent with the more restrictive definition of that term in 49 U.S.C. 31132(1), section 402 of title IV (Motor Carrier Safety) of the House bill would repeal employee whistleblower protections for a substantial number commercial motor vehicle workers.

Section 406 of the House bill would expand 49 U.S.C. 31315 to authorize exemptions from commercial motor vehicle safety regulations without

requiring that workers be notified of such exemptions. Such exemptions without notification would reduce, without their knowledge, workers' whistleblower protections against adverse employment actions. Accordingly, we propose that section 406 be revised to require meaningful worker notification of any exemption that may affect a worker's whistleblower protections.

The Senate bill would repeal section 140(b) [of title 23?] and enact, in section 2009, a similar provision at 23 U.S.C. 506(d)(2). The Senate bill uses words "may be made available." The Administration favors enactment of this discretionary training provision using the strongest possible words of encouragement to the States to participate in the program.

April 28, 1998

(Draft letter to ISTEA conferees)

Dear _____ :

As conferees on H.R. 2400 meet to resolve differences between the Senate bill, the Intermodal Surface Transportation Efficiency Act of 1998, and the House bill, the Building Efficient Surface Transportation and Equity Act of 1998, we write to offer the Administration's views on this significant and urgently needed legislation.

Since the President assumed office in 1993, the Administration has made a commitment to both fiscal discipline and the strategic investments we need to lay the foundation for a strong and healthy economic future. The President's economic program has helped produce economic conditions scarcely imagined in 1993: we have moved the Federal budget from a deficit of \$290 billion in 1993 to a likely surplus in 1998, and we now enjoy low unemployment, modest inflation, sustained economic growth and a level of prosperity that is a model for other countries.

A key component of this economic success is the President's commitment to vital investments in our future. Investing in a reliable, efficient, and a well-constructed system of highway and mass transit is an important domestic priority and critical to our economic success. Reauthorization of the Nation's surface transportation programs is therefore an important part of the President's investment strategy.

The Administration supports healthy funding levels for highways, highway safety and public transit. The President's FY 1999 Budget requested 42 percent more for surface transportation than the average annual expenditure in the previous administration. However, the increases in the House- and Senate-passed versions of H.R. 2400 are too high. As the President has said, the funding levels in these bills fail to consider the rest of the budget: either they would require unacceptable reductions in high priority discretionary program funding, or they would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first.

For example, the House-passed bill fails to offset any of its excess funding and would either result in squandering budget surpluses or would force cuts in nondefense discretionary programs \$31 billion below the President's requests. The Senate -- in its Budget Resolution -- offset some of its excess spending, but did so with offsets that the President had proposed for funding vital initiatives in education, research, veterans' benefits, food stamps, and environmental programs; and even these offsets would provide less than half the amount needed to pay for

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the increases in the ^{Senate} House-passed bill. As the reauthorization process moves forward, we pledge to work with the conferees to craft a bill that reflects the priorities of the President and the Congress-- and to do that in a way that does not force cuts in other critical programs and does not reject fiscal discipline by removing highway programs from the unified budget.

In addition to the severe budgetary problems raised by H.R. 2400, the Administration remains deeply concerned by several other provisions of the bill. These concerns are set forth in the attachment to this letter. Although the conference has made some progress on these issues, some of the Administration's most serious concerns have not yet been addressed. Nonetheless, we believe it is possible for a good bill to emerge from conference if we work together to resolve these, and other, concerns -- and do so in a fiscally responsible and expeditious manner. We look forward to working with the conferees to develop legislation that reflects sound transportation policies, that is funded at appropriate levels and with acceptable offsets, and that the President can sign.

Sincerely,

Franklin D. Raines
Director, Office of Management & Budget
Transportation

Rodney E. Slater
Secretary of

↓ do we
want to
have
fight every
year



Attachment: Major Administration Concerns

Off-Budget Provision and Demonstration Projects: We firmly oppose the provision in the House bill to take the Highway Trust Fund off budget, because it would undermine the bipartisan balanced budget agreement. We have come too far, and worked too hard to balance the budget to see that work negated by this kind of action. Having just achieved a balanced budget this fiscal year, the Highway Trust Fund must continue to be included in the unified budget to retain the fiscal discipline inherent in the painful but necessary resource tradeoffs that underlie this great achievement.

We are extremely concerned about the soaring number of "demonstration" projects -- more than 1500 highway projects totaling \$9 billion over six years -- all of which circumvent the usual processes for State and local planning and essential public participation.

We support the consolidation of the University Research Institutes and University Transportation Centers programs, but do not support earmarking. We urge the Conferees to set the border program authorizations at the level proposed in the President's FY 1999 budget and eliminate Secretarial or Congressional determination of trade corridors.

We object to the potential sequester of highway and transit funds under the House bill's midcourse correction provisions because it could delay the release of program funds and thus disrupt the continuity of these important programs. We also urge adequate funding -- a 1.5 percent takedown from the base of programs in the House bill -- for Federal Highway Administration administrative costs.

Transit. We urge the Conferees to ensure that, as we work together to resolve the overall funding issues, transit continues to receive an appropriate share of the bill's total funding. At a minimum, transit programs should receive the same proportion of funds as the Administration recommended in its NEXTEA proposal. In addition, we urge the Conferees not to adopt the House cap limiting preventive maintenance and operating assistance to \$400 million per year. This limitation will particularly

hurt the larger urbanized areas -- over 200,000 population -- and will reduce the flexibility that all areas now have under current law. We support the Senate bill provision that allows paratransit as an eligible capital expense.

Safety. Safety is everyone's paramount concern. The Senate bill requires States to enact legislation establishing a .08 percent blood alcohol content as the national standard for drunk driving. This is a positive step supported strongly by the President to help reduce the terrible loss of life on our highways due to drinking and driving, and is consistent with the approach Congress endorsed in the "zero tolerance" provision contained in the National Highway System Designation Act and the legislation establishing the minimum drinking age nationally. We also support the Senate bill provision to carry out drugged driving research and related programs.

The Senate bill funds the State and community highway safety grant and alcohol, occupant protection and data incentive grant programs below current levels. We urge the adoption of the House funding levels for these important safety programs and urge continued support of consolidated management of the programs.

The bills provide selective exemptions from Federal truck size and weight limitations that would further complicate a patchwork system, discourage compliance, and pose a substantial hazard to all motorists. We would oppose any statutory restriction on access to electronic or global positioning system data for enforcement of motor carrier safety regulations, including drivers' hours of service.

We oppose the Senate bill's "anti-lobbying" provision. This provision would curtail the Department's informational and educational activities for every surface transportation program. Our efforts to implement important highway safety programs, in particular, would be severely affected, since the Department carries out its statutory responsibility to assist the States in developing strong highway safety programs by providing safety information to its State and local partners. The Department's obligation to assist State and local governments to improve highway safety should in no way be compromised, or made ambiguous. We strongly urge you to eliminate this provision from the final bill.

We support the Senate language increasing flexibility for the highway-rail grade crossing program, but believe that 30 percent of the safety set-aside should be made available for this important program, as sought in the Administration's reauthorization proposal. Additionally, we strongly support continuation of current law governing transfers out of the grade-crossing and hazard-elimination programs, as retained by the House legislation.

We support the Senate provision to reauthorize the hazardous material transportation safety program that is so important to safe transport of these materials, but object to exceptions from key safety provisions. We also support the

Senate provision to help States improve "one-call" systems, and oppose any exceptions from the requirement to call before you dig.

We support the Senate clarification of Intelligent Transportation Systems as an eligible activity of regular Federal-aid funding, which is expected to help improve transportation safety and cut travel time.

Environment. Both bills contain provisions to make the integration of environmental and transportation decisionmaking more effective and efficient. Of the two bills, we prefer the Senate provision, which would continue to emphasize integration of transportation and environmental decisionmaking without amending the National Environmental Policy Act (NEPA). The House bill establishes a pilot program that would delegate to the States the Department's responsibilities under NEPA. The Administration has opposed such delegation. The Department of Transportation, in cooperation with States, should continue to be responsible for ensuring that the environmental impacts of Federally-funded projects are considered from a national perspective.

The House bill also permits a portion of the increase in Congestion Mitigation and Air Quality Improvement Program funding levels to be used for other surface transportation projects. As under current law, we do not object to such transfers in States that do not have non-attainment or maintenance areas. We object to allowing States that have air quality non-attainment or maintenance areas to transfer funds because it could slow our progress in achieving national environmental objectives. We oppose both the House and Senate provisions.

To advance our clean air objectives, we must provide incentives to use transit that are similar to those already provided for automobiles. We urge that the bill include the Senate provision that allows employers to offer their employees transit and vanpool benefits in lieu of compensation, thus equalizing the tax treatment of transit and vanpool benefits with those for parking and eliminating the bias in favor of automobiles.

Welfare to Work. The House bill limit on the number of projects will make it difficult for States and communities to succeed in meeting their targets for moving people from welfare to work. We urge support of the Senate provision on access to jobs. Both bills authorize \$150 million annually for these projects, which can support many more than 10 projects for six years, a limitation that should be deleted. We also urge the Conferees to support employment opportunities for welfare recipients and people in empowerment zones and enterprise communities.

Innovative Financing. The Senate bill authorizes State Infrastructure Banks (SIBs) and other innovative financing and credit enhancement provisions. These provisions are based in part on the Administration's proposals to increase the ability

of States to leverage their transportation resources. The Administration urges the conferees to accept its proposals, but strongly opposes the Senate provisions that would permit: (1) direct and indirect Federal guarantees of tax-exempt obligations; and (2) the subordination of Federal loans for certain transportation projects. These provisions would contravene longstanding Federal credit policies, and would put the Federal Government at undue financial risk. In addition, the Administration believes that Federal labor standards and employee protection provisions must apply to all projects funded through SIBs and other innovative financing and credit enhancement provisions, as they have historically applied to transportation programs.

Intermodalism. The Senate bill allows Surface Transportation Program funds and National Highway System funds to be used for publicly owned rail and bus passenger projects. It also allows the National Highway System funds to be used for publicly owned intermodal surface freight transfer facilities (other than airports and seaports), but it does not authorize expenditure of Surface Transportation Program funds for any rail freight infrastructure. Experience under ISTEA demonstrates that state and local officials used the project-selection authority wisely, thereby securing the maximum enhancement of our surface transportation system at the least cost. We urge that Congress support, at a minimum, the flexibility that the Senate bill provides and consider expanding to the Surface Transportation Program the same flexibility the Senate bill creates in the NHS category to assist publicly owned freight facilities.

Research and Development. An adequately funded multimodal research and development program at the level proposed by the Administration is essential if we are to retain our competitive edge in the global marketplace and continue to enhance our quality of life. Investment in highway and transit must be balanced by an investment in research that leverages multi-modal opportunities rather than simply focusing on modal-specific research.

The Senate bill provides totally inadequate funding to support national needs for highway Research, Technology, and Training. The funding has been significantly reduced for FY 1998, and almost eliminated for FY 1999 through FY 2003. Without this funding, the core Research and Technology programs of FHWA will essentially come to a halt. Section 127(a)(3)(F) of the House bill provides adequate funding for FHWA's research programs. The House funding level is consistent with the Administration's proposal, and we strongly support the House provision.

National Park Roads and Parkways. Almost 300 million people visit our National Parks each year, and the number is expected to increase dramatically over the next decade. Forty percent of the 5,000 miles of paved park roads are in poor condition, with another 2 percent deteriorating to that level each year. We object to the inadequate funding in both bills and urge Congress to authorize the full

amount requested by the Administration for National Park roads and parkways to provide access to these national treasures.

Ethanol. The bill should extend the excise tax incentives for ethanol, as the Senate bill does, but without phasing down the rates. This extension is critical to encouraging the use of alternative fuels to improve air quality. Ethanol is a clean-burning, made-in-America fuel that has created thousands of jobs and provided a multi-billion dollar boost to our rural communities and family farmers.

Bureau of Transportation Statistics. The Bureau of Transportation Statistics, created by ISTEA to develop and maintain critical transportation data, must be funded at the level proposed by the Administration and endorsed by the House if it is to continue these vital functions and develop the new initiatives contained in the bills.



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

April 24, 1998

MEMORANDUM FOR DISTRIBUTION

FROM: Michael Deich
David Tornquist

SUBJECT: 4/27 Meeting on ISTEA Conference Issues

In preparation for Monday's meeting to discuss ISTEA conference issues, attached is the Department of Transportation's summary of Secretary Slater's priorities in the bills.

Attachment

Distribution:

Jack Lew
Larry Stein
Sally Katzen
Elena Kagan
Maria Echaveste
Henry Kelly
Fred Duvall
Chuck Brain
Morley Winograd
Ron Klain

~~CONFIDENTIAL~~

FHWA
4/24/98

Suggested Provisions for S-1 Attention

	Issue	NEXTEA	House	Senate	DOT Goal
GENERAL					
1	Funding levels & offsets	\$174.3B in authorizations No offset provision	\$220.2 B in authorizations Secretary may not release any funds unless bill contains necessary budgetary offsets in compliance with Balanced Budget Act of 1985. [1001]	\$217.3 B in authorizations No offset provision	Only support funding levels if the necessary funding offsets are consistent with the President's priorities.
2	Off-budget provisions	No provision	Receipts & disbursements of HTF not counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of the Budget or the Balanced Budget Act of 1985. HTF exempt from any general limit imposed by statute on outlays. [701]	No provision	Oppose taking the Highway Trust Fund off-budget as it would endanger the bipartisan budget agreement, force cuts in other areas of national priority, and circumvent the Budget Enforcement Act.
3	Demonstration projects / earmarks	FHWA : No provision FTA: No provision	FHWA: \$9 billion for 1,507 "high priority" demonstration projects for highways. [127] FTA: 167 new start earmarks; 146 bus project earmarks [332,333]	FHWA: No provision FTA: No provision	Oppose. State and local government planning process are best able to determine priorities.

DETERMINED TO BE AN ADMINISTRATIVE
MARKING INITIALS: DB DATE: 2/13/17

	Issue	NEXTEA	House	Senate	DOT Goal
	Demonstration projects/ earmarks (continued)	University Research Institutes (URI) and University Transportation Centers (UTC): Consolidates URI and UTC programs; no earmarked centers -- all universities must compete.	Consolidates URI and UTC programs; mandates 20 centers (10 Regional and 10 "Other Centers").	Conflicting provisions included: Banking committee -- Same as current law, but adds one earmark. EPW -- Consolidates URI and UTC programs; earmarks 16 of 20 centers.	Support consolidation of the URI and UTC programs; should be some opportunity for other universities to compete for the grants -- not all earmarked.
4	Expiration of partial tax exemption for ethanol	All exemptions to highway-user taxes, including ethanol, extended at current law rates through 2005.	Partial exemption for ethanol allowed to expire on 10/1/00 as provided for in current law.	Partial exemption for ethanol extended through 2007, but at slightly phased down rates in FY2002-2007.	We object to the House's lapse of the partial exemption for ethanol and support the Senate's extension of the ethanol credit, but without the phasedown.
5	Mid-course correction	No provision	Would delay release of FY 2001 highway and transit funds for as long as 8 months if Congress failed to enact certain highway & transit "corrections" legislation by 10/1/00. [508]	No provision	Object to potential sequester of highway and transit funds. Sequester not needed; Congress can enact corrections legislation without endangering program funding. Disruptive to continuity so important to public works programs.
6	Inadequate funding for FHWA & FTA administrative costs	FHWA: Retains 3.75% takedown from core programs. FTA: Such sums as may be necessary	FHWA: Reduces takedown to 1%; larger base of funds for takedown than Senate. [104] FTA: Dollar amount	FHWA: Reduces takedown to 1.5%; smaller base of funds for takedown than House. [1201] FTA: 0.96%	FHWA: Support a 1.5% maximum takedown, as in Senate, but from the larger base of programs in the House bill. FTA: "adequate percent"

	Issue	NEXTEA	House	Senate	DOT Goal
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SAFETY

7	.08 BAC standard	No provision for .08 BAC. Alcohol-impaired driving countermeasures incentive program. [2002] Administration has <u>strongly</u> endorsed Senate provision.	Study only for .08 BAC. [209] Alcohol-impaired driving countermeasures incentive grants. [205]	Mandates a national .08 BAC standard for drunk driving. States that do not enact this standard by 2002 would have 5% of certain Federal-aid highway funds withheld; in 2003 and beyond, 10% would be withheld. [1408]	Strongly support the Senate provision.
8	Piecemeal exemptions to Federal truck size and weight laws	No provision	Provides exemptions from current Interstate weight limits for LA, ME, and NH. Provides exemption to definition of non-divisible load for CO. [134]	Sense of the Senate not to ease current LCV standards. [1803]	Support sense of the Senate -- object to House's patchwork exemptions which discourage compliance and potentially undermine safety. LA exemption premature (possible grandfather right, issue never raised by State). Concrete panels-- CO refuses to issue divisible load permit; industry trying to circumvent State policy. ME and NH exemptions ratify current violations and further undermine uniformity of Interstate weight limits.

	Issue	NEXTEA	House	Senate	DOT Goal
9	Inadequate NHTSA funding				
	(a) 402	- Consolidated (NHTSA & FHWA) Section 402 - \$167.42 M/yr (avg)	- Separate NHTSA & FHWA 402 programs - NHTSA, \$177 M/yr (avg) FHWA, \$25 M/yr	- Consolidated (NHTSA & FHWA) - \$129.024 M/yr (avg)	Consolidated at House funding levels
	(b) Alcohol, occupant protection and data incentive programs	Alcohol \$43.36 M/yr (avg) Occ.Prot. \$20.72 M/yr (avg) Data \$12 M/yr (avg)	Alcohol \$33.3 M/yr (avg) Occ.Prot. \$18.16 M/yr (avg) Data \$10.42 M/yr (avg)	Alcohol \$32.83 M/yr (avg) Occ.Prot. \$18.22 M/yr (avg) Data \$8.85 M/yr (avg) for FYs 98-01	Support House funding levels
	(c) Section 403 R&D	\$60.36 M/yr (avg) \$73.1 M for FY 99 in President's budget	Separate NHTSA & FHWA 403 authorizations NHTSA, \$55 M/yr FHWA, \$20 M/yr	Authorizes 403 funds for NHTSA only. \$66.36 M/yr (avg)	Senate authorization for NHTSA only and House 403 funding amount, combining NHTSA and FHWA levels
10	Lobbying ban	No provision	No provision	Prohibits use of Title 23 funds for any activity to support for or against, or to influence the formulation or adoption of State or local legislation, unless such activity is consistent with previously existing Federal mandates or incentive programs. [1807]	Strongly oppose Senate provision. It will severely compromise our ability to provide important highway safety information to our State and local partners.

	Issue	NEXTEA	House	Senate	DOT Goal
11	Air bag safety	No provision	Directs Secretary to design Federal motor vehicle safety standards for occupant protection to protect improperly restrained and out-of-position occupants only to the extent that the risk of injury to properly restrained and positioned occupants is not substantially increased. [2691]	Suspends unbelted testing standard pending: (1) rulemaking to minimize risk of airbags, or (2) determination that current testing standard is necessary [3106] Inadvertently retains section repealing the unbelted testing standard. [1402]	Support Senate provision (and strike earlier Senate section simply repealing current standard). Note -- The implications of the House requirement are impossible to predict. If this requirement had been enacted last year, it might well have precluded NHTSA from issuing the 1997 rule permitting manufacturers to expedite their efforts to depower air bags to protect improperly restrained children and adults, since depowering could also reduce the protection afforded belted occupants.
12	Drugged driving countermeasures	Creates new drugged driving incentive program. One basic grant only for meeting various criteria. Grant amount equals 20% of State's Sec. 402 apportionment. Authorizes total of \$25.13M.	No provision	Directs the Secretary to do research on: (1) the relationship between the consumption and use of drugs and their effect on highway safety and drivers, and (2) driver behavior research and measures that may deter drugged driving. Authorizes total of \$10M.	Support Senate provision.
13	Hazmat reauthorization	Reauthorizes program -- clarifies inspection authority -- enhances enforcement authority	No provision	Reauthorizes program -- contains most NEXTEA provisions -- includes exceptions for special interests [3201,3216]	Support Senate provision to reauthorize program, but object to special interest exceptions.

	Issue	NEXTEA	House	Senate	DOT Goal
14	One-call program	Establishes incentives for States to improve one-call programs. Establishes model program for States to use. [11002]	No provision	Provides incentives for States to improve one-call systems. [3302]	Provide incentives for States to improve one-call systems and avoid exceptions for special interests.
15	Grade crossing funding	\$165 M	Retains 10% STP safety set-aside \$150 M (based on BESTEA funding levels)	2% STP safety set-aside for grade crossings -- \$163 M (based on ISTEA II funding levels)	Support a funding level of \$165M.

WELFARE TO WORK

16	(a) Funding & scope of program	\$100 M/yr for access to jobs, no limit on projects [3021]	\$150 M/yr for access to jobs, 10 projects	\$150 M/yr for access to jobs and \$100M/yr for reverse commute; no limit on projects	Support Senate \$150M access to jobs provision
	(b) Reserving positions for welfare recipients	States "should" reserve highway training positions for welfare recipients [1017]	States "may" reserve highway training slots for welfare recipients, but should not displace/supplant current employees [129]	States "may" reserve highway training positions for welfare recipients [2009]	Support provisions permitting reserving highway training positions
	(c) Employment preferences	States "should" implement an employment preference for welfare recipients and people in empowerment zones and enterprise communities (EZ/ECs) [1017]	No employment preference for welfare recipients or EZ/EC residents.	No employment preference for welfare recipients or EZ/EC residents.	Support employment preference for welfare recipients or EZ/EC residents.

	Issue	NEXTEA	House	Senate	DOT Goal
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ENVIRONMENT

17	Environmental streamlining	No change from current law; CEQ's NEPA regulations include streamlining & process integration.			
	(a) process				
	(b) dispute resolution				
	(c) use of Title 23 funds				

Coordinated environmental review process for highway projects; concurrent Federal review & NEPA process, to be completed within agreed-to time periods.

If a Federal agency doesn't act within the agreed time period, the Secretary may "close the record". If an environmental issue raised by a Federal agency is not resolved, the Secretary and head of such Federal agency "shall resolve" the matter within 30 days.

The Secretary may approve a State's request to use its Title 23 funds to enable an affected Federal agency meet the time limits established by this section.

Integrated decision-making for highway and transit projects ; integrate NEPA regulations at earliest possible time.

Unresolved issues between the lead agency and a cooperating agency shall be elevated to agency heads to attempt resolution within 30 days, with CEQ consultation, prior to referral to CEQ.

A State may use its Title 23 funds to enable an affected Federal or State agency to meet a time schedule established by this section.

Since neither section appears to be binding on other Federal agencies, most of these process changes could probably be accomplished thru regulations under existing law.

House provision for "closing the record" may not be sufficient to satisfy the underlying environmental requirement. The Administration opposes this provision. It appears the Senate provision could be accomplished by regulation.

States currently have authority to transfer Title 23 funds to resource agencies for environmental review expenses.

	Issue	NEXTEA	House	Senate	DOT Goal
17 cont.	(d) pilot program		Establishes a 3-year pilot program to allow up to 8 States to fulfill the Secretary's responsibilities under NEPA based on a certification, to be approved by the Secretary "in cooperation" with CEQ. The Secretary and CEQ shall monitor the pilot States and report annually to Congress on this pilot. [502]		Strongly oppose House pilot program. Oppose delegation of statutory authorities of Federal agencies to States. DOT should continue to be responsible for ensuring that environmental concerns regarding transportation projects are appropriately addressed.
18	CMAQ transferability	No change to current law. States receiving minimum CMAQ apportionment but have no non-attainment or maintenance areas can use CMAQ funds for any project eligible under Title 23.	Permits States to transfer to other FA programs 50% of the increase in future CMAQ apportionments over FY97 CMAQ levels. [505 (c)]	Would permit States receiving minimum CMAQ apportionment to use difference between minimum amount and amount attributable to its non-attainment areas for any project eligible under Title 23. [1123]	Object to transfer of CMAQ funds in States that have air quality non-attainment or maintenance areas. Do <u>not</u> object to such transfers in States that do not have non-attainment or maintenance areas (this is current law). Oppose Senate provision and <u>strongly</u> oppose House provision.
19	Transit benefits	Eliminate in-lieu of compensation restriction; increase transit benefits to \$175.	No provision	Eliminates in-lieu of compensation restriction; increases transit benefits to \$100 by 2000.	Senate language or better (\$175 limit for transit, as proposed in the Administration's FY99 budget. This limit is the same as the limit for parking under current law).

	Issue	NEXTEA	House	Senate	DOT Goal
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POLICY

20	Transit & rail eligibility for Title 23 funds	<u>NHS</u> -- Expanded eligibility: -- publicly owned intercity passenger rail capital projects in NHS corridors -- publicly owned intracity or intercity passenger rail or bus terminals -- intermodal surface freight transfer facilities (not air or sea) that are at or adjacent to the NHS or NHS corridors. [1003] <u>STP</u> -- public or private vehicles and facilities for intercity bus or passenger rail service -- publicly owned rail safety infrastructure and highway non-infrastructure safety improvements -- publicly owned intercity passenger and freight rail infrastructure [1014]	Retains current NHS and STP eligibility.	Includes STP & NHS flex for rail and bus passenger projects and use of NHS funds for intermodal surface freight transfer facilities but does not authorize expenditure of STP funds for publicly-owned rail freight infrastructure [1235]	Support at least Senate provisions, but also want STP eligibility expanded to include publicly owned rail freight projects.
21	Inadequate Park Roads funding	Authorization of \$161M/year [1001]	Parkways and Park Highways authorized at \$85.3 M for FY98, \$86.2M for FY99, and \$99M for FY2000 - 2003. [102 (11) (c)]	Authorization for park roads is \$90 M for FY98, \$140M annually for FY99-03. [1115]	Object to the inadequate funding for park roads and parkways in both bills. Over 40% of the 5,000 miles of paved park roads are in poor and failed condition, with another 2% deteriorating into poor and failed condition each year. A minimum of \$120M/yr needed just to prevent further deterioration. Support \$161M/yr, the NEXTEA level.

	Issue	NEXTEA	House	Senate	DOT Goal
22	ITS eligibility	Clarifies eligibility of Interstate Maintenance, NHS, and STP funds for infrastructure-based ITS capital improvements. Changes definition of "operational improvements" to expressly include installation, operation, or maintenance of ITS infrastructure. [1002,1003,1009, and 1014]	No provision under individual fund eligibilities. Adds to definition of "operational improvements" a list of ITS-type activities, but doesn't specifically mention ITS. [143]	Clarifies eligibility of Interstate Maintenance, NHS, and STP funds for infrastructure-based ITS capital improvements (same as NEXTEA). [1209, 1234, 1235] Changes definition of "operational improvements" as proposed in NEXTEA. [1231]	Strongly support the Senate provisions. Although ITS is already an eligible activity, the legislative clarification would strengthen this position.
23	Transit preventive maintenance	No cap, no detailed definition, operating assistance allowed for areas under 200,000. Repealed for areas over 200,000.	\$400M cap, restrictive definition on preventive maintenance. Operating assistance allowed for areas under 200,000. Repealed for areas over 200,000.	No cap, no definition on preventive maintenance. Operating assistance allowed for areas under 200,000. Not repealed for areas over 200,000.	Recommend no cap, no detailed definition, operating assistance allowed for areas under 200,000. Repeal for areas over 200,000.
24	Trade corridor/ border crossings programs	Provided \$45M in funding for multi-state corridor and bi-national border transportation planning & border gateway pilot program. [1030]	Authorizations to assist in planning, developing and constructing specified highway corridors. [115]	Authorizations for trade corridor planning incentive grants. Further authorizations over 6 years for planning, design and implementation of safety and congestion relief. [1116]	DOT strongly supports multi-state corridor and border planning but doesn't support Secretarial or Congressional determination of corridors. Increase border program authorizations to \$90M as proposed in the President's 1999 budget to modify border grant program to fund work of Federal inspection agencies (ONDCP, INS, & Customs Service) at border crossings.
25	BTS funding	Programs funded at \$31M/year. [6002]	Authorizes \$31M/year. [631]	Authorizes \$26 to \$31M/year at \$1M increments. [2004]	Funding below \$31M/year would not allow BTS to maintain current services or develop the new initiatives contained in the bills.

	Issue	NEXTEA	House	Senate	DOT Goal
26	Retaining labor standards				Davis-Bacon usage standards should continue to cover transportation construction projects that they have applied to in the past, and should apply to any new Federally assisted transportation construction projects authorized under the bills (e.g., House and Senate rail projects, including MAGLEV, and all construction projects funded by Federal dollars loaned and re-loaned by State infrastructure banks).

DBE

27	Retention of DBE program	Retains program [1018]	Retains most of current program, but drops requirement for uniform certification criteria. Adds requirement for GAO review of impact of program. [102]	Retains program. Adds requirement for GAO review of impact of program. [1111]	Strong focus on retaining current DBE program; prefer Senate language. Strongly urge retention of uniform criteria for certifying DBEs to maintain integrity of the program.
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TECHNICAL

28	RSPA multimodal program	Establishes a multimodal transportation R&D program at \$10 million/year [6001]	No provision	Establishes a multimodal transportation R&D program at \$2.5M/year. [2002]	Support establishing multimodal R&D program at NEXTEA funding level.
29	Over-the-road (OTR) buses	No provision	No provision at this time, although Shuster may introduce provision to prevent DOT from implementing recently proposed NPRM.	No provision	Oppose possible provision by Shuster. Rulemaking process should be allowed to work. DOT proposed NPRM calls for OTR buses purchased in year 2000 for larger buses and 2001 for smaller buses to be fully accessible.

TO: CHUCK BRAIN
JEFF FORBES
DOROTHY ROBYN
CHUCK MARR
LINDA LANCE

Attached is DOT's proposed letter to the conferees on the ISTEA bill. We expect to circulate this (or a variation on it) to the agencies on Monday morning with a short deadline for comments. You will be copied on the Legislative Referral Memorandum.


Jim Jukes, OMB
x 5-3458

5 pages follow.

DOT LETTER TO CONFEREES (4/24)

As conferees meet to begin the process of resolving differences between the Senate bill, the *Intermodal Surface Transportation Efficiency Act of 1998*, and the House bill, the *Building Efficient Surface Transportation and Equity Act of 1998*, I would like to offer the Administration's views on this significant and urgently needed legislation.

I congratulate Members for their bipartisan efforts to achieve enactment of a reauthorization bill, and I pledge the Administration's assistance throughout the conference process. Our views on the overall funding levels for the legislation will be the subject of a separate letter.

This is some of the most significant domestic legislation that Congress will consider this year. It is not just about transportation. It is about the economy, the environment, equal opportunity, and so much more. Just over a year ago, the President announced a 6-year, \$175-billion investment program for America's surface transportation system, which I am pleased to see has been the foundation for your bills. We said we need to put a stronger emphasis on safety programs, and proposed increasing funding for highway safety by about 25 percent. We said we need to continue to rebuild America, and proposed increasing highway program spending by 30 percent, with comparable increases for transit. We said we need to invest in protecting the environment and proposed increasing funding for air quality programs by 30 percent. We said we need to invest in research and development and proposed a 10-percent increase. We said we need to invest in moving Americans from welfare to work and proposed investing \$600 million in this effort. All of these elements are found in your bills.

The House and Senate bills retain ISTEA's core programs for transit and highways, which will allow us to continue our progress in rebuilding America and competing effectively in the global economy. Moreover, important safety and environmental programs are continued and enhanced. Both bills expand opportunity through continuation of a strong Disadvantaged Business Enterprise program, preservation of important labor standards and employee protection provisions, creation of a new program to help those making the transition from welfare rolls to payrolls, establishment of border crossing and trade corridor provisions crucial for international commerce, and designation of intermodal connectors as part of a National Highway System.

As the reauthorization process moves forward, we pledge to work with the conferees to preserve the important priorities established in both the House and Senate bills and by the President. We have previously indicated our concerns about certain provisions. While progress has been made, some of the

Administration's most serious concerns have not been addressed. I believe it is possible for a good bill to emerge from conference if we can work together to accomplish that aim.

Off-Budget Provision, and Demonstration Projects: We firmly oppose the provision in the House bill to take the Highway Trust Fund off budget, because it would undermine the bipartisan balanced budget agreement. We have come too far, and worked too hard to balance the budget to see that work negated by this kind of action. Having just achieved a balanced budget this fiscal year, the Highway Trust Fund must continue to be included in the unified budget to retain the fiscal discipline inherent in the painful but necessary resource tradeoffs that underlie this great achievement.

We are extremely concerned about the soaring number of "demonstration" projects -- more than 1500 highway projects totaling \$9 billion over six years-- all of which circumvent the usual processes for State and local planning and essential public participation.

We support the consolidation of the University Research Institutes and University Transportation Centers programs, but do not support earmarking. We urge the Conferees to set the border program authorizations at the level proposed in the President's FY 1999 budget and eliminate Secretarial or Congressional determination of trade corridors.

We object to the potential sequester of highway and transit funds under the House bill's midcourse correction provisions because it could delay the release of program funds and thus disrupt the continuity of these important programs. We also urge adequate funding -- a 1.5 percent takedown from the base of programs in the House bill -- for Federal Highway Administration administrative costs.

Safety. Safety is everyone's paramount concern. The Senate bill requires States to enact legislation establishing a .08 percent blood alcohol content as the national standard for drunk driving. This is a positive step supported strongly by the President to help reduce the terrible loss of life on our highways due to drinking and driving, and is consistent with the approach Congress endorsed in the "zero tolerance" provision contained in the National Highway System Designation Act and the legislation establishing the minimum drinking age nationally. The Department supports the Senate position on air bags that would preserve the Department's ability to continue the development of advanced air bag technologies. We also support the Senate bill provision to carry out drugged driving research and related programs.

The bills provide selective exemptions from Federal truck size and weight limitations that would further complicate a patchwork system, discourage compliance, and pose a substantial hazard to all motorists. We would oppose any statutory restriction on access to electronic or global positioning system data

for enforcement of motor carrier safety regulations, including drivers' hours of service.

We oppose the Senate bill's "anti-lobbying" provision. This provision would curtail the Department's informational and educational activities for every surface transportation program. Our efforts to implement important highway safety programs, in particular, would be severely affected, since the Department carries out its statutory responsibility to assist the States in developing strong highway safety programs by providing safety information to its State and local partners. The Department's obligation to assist State and local governments to improve highway safety should in no way be compromised, or made ambiguous. We strongly urge you to eliminate this provision from the final bill.

The Senate bill funds the State and community highway safety grant and alcohol, occupant protection and data incentive grant programs below current levels. We urge the adoption of the House funding levels for these important safety programs and urge continued support of consolidated management of the programs. We generally support the Senate language on the railroad grade crossing and infrastructure safety programs, but believe a larger portion of the funds should be made available for the grade crossing program.

We support the Senate provision to reauthorize the hazardous material transportation safety program that is so important to safe transport of these materials, but object to exceptions from key safety provisions. We also support the Senate provision to help States improve "one-call" systems, and oppose any exceptions from the requirement to call before you dig.

We support the Senate clarification of Intelligent Transportation Systems as an eligible activity of regular Federal-aid funding, which is expected to help improve transportation safety and cut travel time.

Environment. Both bills contain provisions to make the integration of environmental and transportation decisionmaking more effective and efficient. Of the two bills, we prefer the Senate provision, which would continue to emphasize integration of transportation and environmental decisionmaking without amending the National Environmental Policy Act (NEPA). The House bill establishes a pilot program that would delegate to the states the Department's responsibilities under NEPA. The Administration has opposed such delegation. The Department of Transportation, in cooperation with states, should continue to be responsible for ensuring that the environmental impacts of Federally-funded projects are considered from a national perspective.

The House bill also permits a portion of the increase in Congestion Mitigation and Air Quality Improvement Program funding levels to be used for other surface transportation projects. As under current law, we do not object to such transfers in States that do not have non-attainment or maintenance areas. We

object to allowing States that have air quality non-attainment or maintenance areas to transfer funds because it could slow our progress in achieving national environmental objectives. We oppose both the House and Senate provisions.

To advance our clean air objectives, we must provide incentives to use transit that are similar to those already provided for automobiles. We urge that the bill include the Senate provision that allows employers to offer their employees transit and vanpool benefits in lieu of compensation, thus equalizing the tax treatment of transit and vanpool benefits with those for parking and eliminating the bias in favor of automobiles.

Welfare to Work. The House bill limit on the number of projects will make it difficult for States and communities to succeed in meeting their targets for moving people from welfare to work. We urge support of the Senate provision on access to jobs. Both bills authorize \$150 million annually for these projects, which can support many more than 10 projects for six years, a limitation that should be deleted. We also urge the Conferees to support employment opportunities for welfare recipients and people in empowerment zones and enterprise communities.

Transit. We urge the Conferees to not adopt the House cap on preventive maintenance and operating assistance. This limitation will particularly hurt the larger urbanized areas -- over 200,000 population -- and will reduce the flexibility that all areas now have under current law. We support the Senate bill provision that allows paratransit as an eligible capital expense.

Innovative Financing. The Senate bill authorizes State Infrastructure Banks (SIB's) and other innovative financing and credit enhancement provisions that would leverage Federal transportation investment. We believe these financing mechanisms provide the necessary, additional tools for State and local governments to undertake priority transportation projects. However, Federal labor standards and employee protection provisions must apply to all projects funded through SIB's and other innovative financing and credit enhancement provisions, as they have historically applied to transportation programs.

Intermodalism. The Senate bill allows Surface Transportation Program funds and National Highway System funds to be used for publicly owned rail and bus passenger projects. It also allows the National Highway System funds to be used for publicly owned intermodal surface freight transfer facilities (other than airports and seaports), but it does not authorize expenditure of Surface Transportation Program funds for any rail freight infrastructure. We urge that Congress support, at a minimum, the flexibility that the Senate bill provides and consider expanding to the Surface Transportation Program the same flexibility the Senate bill creates in the NHS category to assist publicly owned freight facilities.

National Park Roads and Parkways. Almost 300 million people visit our National Parks each year, and the number is expected to increase dramatically over the next decade. Forty percent of the 5,000 miles of paved park roads are in poor condition, with another 2 percent deteriorating to that level each year. We object to the inadequate funding in both bills and urge Congress to authorize the full amount requested by the Administration for National Park roads and parkways to provide access to these national treasures.

Ethanol. The bill should extend the excise tax incentives for ethanol, as the Senate bill does, but without phasing down the rates. This extension is critical to encouraging the use of alternative fuels to improve air quality. Ethanol is a clean-burning, made-in-America fuel that has created thousands of jobs and provided a multi-billion dollar boost to our rural communities and family farmers.

Bureau of Transportation Statistics. The Bureau of Transportation Statistics, created by ISTEA to develop and maintain critical transportation data, must be funded at the level proposed by the Administration and endorsed by the House if it is to continue these vital functions and develop the new initiatives contained in the bills.

You have the opportunity to shape a surface transportation reauthorization measure that reflects the years of cooperative, productive efforts by all levels of government. Congress, this Administration, States and communities have all been involved in the development of these policies and programs and they will serve us well into the 21st Century. I hope that some of the most contentious issues, especially the ones that threaten the achievement we have made in balancing the budget, will be resolved.

On behalf of the Administration, let me express our willingness to provide assistance during the conference committee's deliberations. This legislation is critically important, and I look forward to working with you to help draft a compromise that can be signed into law by the President.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, it has no objection to the submission of these views for the consideration of Congress.

Sincerely,

Rodney E. Slater

Enclosure

April 27, 1998

ISTEA Reauthorization Issues

Principal's Issues

<u>Issue</u>	<u>Proposed Administration Position</u>
1. Funding levels and offsets.	Oppose funding levels as too high, seek to work with Hill to find mutually acceptable offsets for spending above President's Budget. Maintain appropriate ratio of highway/transit funding levels, i.e., protect transit.
2. Off-budget.	Oppose House provision taking the Highway Trust Fund off-budget.
3. Demonstration projects	Oppose House FHWA and FTA earmarks. Seek some flexibility in University Research Institute/University Transportation Center designations.
4. Mid-course correction.	Oppose House provision as possible funding cutoff could be disruptive.
5. Woodrow Wilson Bridge.	Support alternatives to service contract proposal which avoids adverse scoring impact.

Funding Issues

1. FHWA/FTA Admin. Funds.	FHWA: support Senate 1.5% takedown from larger number of programs. Transit: oppose takedown, support House dollar amount.
2. Inadequate NHTSA funding.	Support House funding levels.
Grade crossing funding.	Support NEXTEA level of \$165M.
3. BTS Funding.	Support NEXTEA \$31M funding level.

Issue

Proposed Administration Position

4. Surface transportation R&D. Support NEXTEA levels; oppose Senate cuts.

Staff Level Issues

- | | | |
|----|-----------------------------|---|
| 1. | Ethanol. | Oppose House bill which lets current partial exemption to lapse; support Senate exemption through 2007 without phase down. |
| 2. | .08 BAC. | Support Senate provision withholding 5% of Federal-aid funds from States that do not implement .08 BAC standard. |
| 3. | Truck size and weight laws. | Oppose House state -specific exemptions; support sense of the Senate opposing LCV changes. |
| 4. | Lobbying ban. | Oppose Senate ban which would adversely affect DOT safety mission. |
| 5. | Air bag safety. | Support Senate provision which temporarily suspends unbelted testing standard pending rulemaking. |
| 6. | Drugged driving. | Support Senate research program as first step to our proposed incentive grant program. |
| 7. | Hazmat reauthorization. | Support Senate reauthorization without special interest exemptions. |
| 8. | RSPA One-call program. | Support Senate reauthorization without special interest exemptions. |
| 9. | Welfare to work. | Support Senate's \$150M Access-to-Jobs funding and reserving of highway training positions for welfare recipients. Add employment preferences for EZ/EC (not in either bill). |

<u>Issue</u>	<u>Proposed Administration Position</u>
10. Environmental streamlining.	Senate process language preferable to House, except for its barring of environmental review of transportation plans. Oppose House provision permitting DOT to “close the record”. Oppose House pilot program to delegate to States the Secretary’s NEPA responsibilities. Support allowing States to use Title 23 funds to support other resource agencies’ environmental reviews (in both bills). Oppose House provision permitting States to define a project’s purpose and need.
11. CMAQ.	Oppose House and Senate provisions which permit transferability of CMAQ funds to other programs if a State has air quality non-attainment or maintenance areas. Support including new non-attainment areas, PM, and current population data in distribution formula. Support eligibility for funding of new non-attainment and maintenance areas and clarify PM eligibility.
12. Transit benefits.	Support Senate language or better increasing transit benefits to \$100/month.
13. Transit and Rail eligibility.	Support Senate expanded eligibility but add public freight rail.
14. Park Roads funding.	Object to inadequate funding in either bill, support \$161M NEXTEA level.
15. Federal Lands eligibility.	Oppose Senate provision which extends eligibility for Federal Lands highway funds to non-Federal roads, including those off Federal properties.
16. ITS Eligibility.	Support Senate provision clarifying that ITS infrastructure is eligible for NHS, STP and IM funds and changing definition of operational improvements.

	<u>Issue</u>	<u>Proposed Administration Position</u>
17.	FTA preventive maint.	Oppose House cap on total preventive maintenance funding and restrictive definition. Support Senate.
18.	Trade Corridor/border cross.	Oppose designations of corridors; allow funds to be used for other Federal inspection agencies, e.g., INS and Customs.
19.	Labor Standard.	Strongly support retaining standards and applying them to new federally-assisted transportation construction projects.
20.	DBE.	Support Senate language which retains uniform certification criteria.
21.	Innovative Financing.	Oppose Senate provisions; support NEXTEA grant program.
22.	ADHS.	Support ADHS funding; oppose expansion of eligible counties or road network.
23.	Planning.	Support Senate Banking language. Strongly oppose Senate EPW language which eliminates fiscal constraint requirements. Oppose House language which makes consideration of planning factors voluntary and weakens fiscal constraints requirements.
24.	Rail credit.	Oppose House provision because it is inconsistent with credit reform.

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

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

Highway Trust Fund Receipts

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-200 Total
Receipts - normalized													
Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
Total	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1

Offer (Enacted, PB, PB, 97%, 100%, 100%, 100%)

BR	28.0	27.8	27.7	32.1	33.8	34.4	35.1	35.8	183.8	218.9	155.9	191.0	226.7
OL	26.5	27.3	27.7	28.7	30.8	32.5	33.5	34.3	173.4	206.9	146.9	180.4	214.7
<i>Highway/Safety</i>													
BR	23.1	23.0	22.9	26.0	27.4	27.9	28.4	29.0	150.3	178.8	127.2	155.7	184.6
OL	22.3	23.4	23.4	24.1	25.6	26.8	27.4	28.0	145.7	173.1	123.4	150.8	178.8
<i>Transit</i>													
BR	4.8	4.8	4.8	6.1	6.4	6.5	6.7	6.8	33.5	40.1	28.6	35.3	42.1
OL	4.2	3.9	4.3	4.6	5.1	5.7	6.0	6.3	27.7	33.8	23.6	29.6	35.9

Offer above President's Budget

BR	0.0	0.0	4.4	6.1	6.8	7.5	7.5	17.4	24.8	17.4	24.8	32.3
OL	0.0	0.0	0.9	2.8	4.4	5.4	6.0	8.1	13.5	8.1	13.5	19.5
Highway/Safety												
BR	0.0	0.0	3.1	4.5	5.1	5.7	5.7	12.7	18.4	12.7	18.4	24.1
OL	0.0	0.0	0.8	2.5	3.7	4.2	4.5	7.0	11.2	7.0	11.2	15.7
Transit												
BR	0.0	0.0	1.3	1.6	1.8	1.8	1.8	4.7	6.5	4.7	6.5	8.3
OL	0.0	0.0	0.1	0.4	0.8	1.2	1.5	1.2	2.4	1.2	2.4	3.9

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

Annual Savings (OL)

OMB	-0.7	-1.2	-2.1	-6.0	-6.0	-6.0	-6.0
CBO	-0.4	-0.8	-1.7	-2.6	-3.6	-4.6	-6.1

Cumulative Savings

OMB	-0.7	-1.8	-3.9	-9.9	-15.8	-21.8	-27.7
CBO	-0.4	-1.1	-2.8	-5.4	-8.9	-13.5	-19.5

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

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

Notes:

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

receipts one year
spend next year

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

- Aggregate budgetary resources (obligation limitations plus any budget authority not subject to limitation) will total \$218.9 billion over the period 1998-2004.
- A new budget mechanism will provide, after an appropriate phase-in period, negotiated assurances that all receipts to the Highway Trust Fund (HTF) will be obligated. To provide certainty about spending levels, total budgetary resources in each year will equal estimated prior year receipts (as in the Chafee-Bond proposal).
- Assured spending will be distributed between total highway-related spending and total transit spending in the same proportions as total authorizations are distributed between highways and transit in the Senate bill. Within the total for highways, safety will be funded at the authorization levels contained in the Administration's NEXTEA proposal.
- The apportionment, or formula allocation, of highway funds will be based on actual receipts deposited in the Highway Account. For purposes of the total budgetary resources provided under this bill, however, 81 percent of all HTF receipts will be deemed as accruing to the Highway Account and 19 percent of all receipts will be deemed as accruing to the Transit Account.
- Balances in the Highway Account of the HTF, except those amounts needed to pay for prior year spending, will be transferred to the General Fund. The Highway Trust Fund will not collect interest.

- Proposed year-by-year funding stream:

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

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

ISTEA Policy Issues**Issue****Outcome****Safety Issues****1. .08 BAC**

Establish .08 standard plus withholding of Federal-aid funds if States do not implement standard. Support prohibition on open alcoholic containers. (Senate)

2. Truck Size/Safety Exemptions

Avoid piecemeal approach to safety. Drop state-specific exemptions (Louisiana, Colorado, Maine and New Hampshire) as proposed by House.

3. NHTSA Grant Program Levels

Support House funding levels for 402 grant, alcohol, occupational protection and data incentive programs. Support House R&D funding levels.

4. Lobbying Ban

Drop Senate provision. Would adversely affect DOT ability to provide safety information to State/local decision makers.

5. Air Bag Safety

Support Senate provision which suspends unbelted testing standard and establishes timetable for introduction of advanced air bags.

6. Drugged Driving

Authorize \$10 M research program as first step toward our proposed incentive grant program.

7. Hazmat Authorization

Senate, w/o special interest exemptions.

8. One-Call Program

Senate, which provides incentives for states to improve one-call systems, w/o exemptions.

9. Highway-Rail Grade Crossing

NEXTEA level of \$165 M.

Environment Issues**10. Environmental Streamlining**

Support Senate process language, except for its barring of environmental review of transportation plans. Oppose provision permitting DOT to "close the record" (House). Oppose any pilot programs (House). Oppose provision permitting states to define project's purpose and needs (House).

11. CMAQ

Oppose transferability of CMAQ funds if State has air quality non-attainment or maintenance areas. (House & Senate). Support including new non-attainment areas, PM, and current population data in distribution formula. Support eligibility for funding new non-attainment/maintenance areas and clarify PM eligibility.

Transit Issues

12. Welfare to Work

\$150 M annual authorization, with no limit on project number. Reserve highway training positions for welfare recipients. (Senate) Add employment preferences for EZ/EC (not in either bill).

13. Transit Preventive Maintenance

Eliminate cap of \$400 M and restrictive definition in House bill. Allow operating assistance for areas under 200,000; repeal for areas +200,000 (House)

14. Transit/Rail Eligibility

Support STP and NHS flexibility for rail/bus projects and use of NHS funds for intermodal facilities (Senate). Expand STP eligibility to include publicly owned rail.

15. FHWA/FTA Admin Funds

FHWA: Support 1.5% takedown from larger number or programs; FTA: Need equivalent percentage..

Other Policy Issues

16. Park Roads

NEXTEA level of \$161 M. Drop Sec. 1115, the Cooperative Federal Lands Program (Senate).

17. ITS eligibility

Clarify eligibility of Interstate Maintenance, NHS & STP funds for ITS. (Senate) Oppose earmarking.

18. Trade Corridor/Border Crossings

Support multi-state corridor/border planning; oppose designation. Allow funds to be used for other Federal inspection agencies.

19. BTS Funding

NEXTEA level of \$31 M

20. Labor Standards

Retain and apply Davis-Bacon/13C to new Federally-funded construction projects and SIBs.

21. Appalachian Highways

NEXTEA level of 2.17 B over 6 years. Oppose expansion of ADHS mileage.

Page 3

22. Highway and Multimodal R&D

NEXTEA funding levels, including provisions for multimodal research. Support consolidation of University Research Institutes and University Transportation Centers.

23. Mid-Course Correction

Delete House requirement for mid-course corrections bill and possible withholding of FY 2001 funds.

24. Over The Road Buses

Block efforts to include language that would modify or overturn DOT's NPRM requiring intercity buses to be fully accessible to passengers with disabilities..

25. Innovative Finance

Delete Senate innovative financing provision.

26. Rail Credit

Delete House rail credit program.

27. GPS/Motor Carrier Safety

Delete limits on use of GPS data for motor carrier safety enforcement (House).

Tax Issues

28. Ethanol Tax Credit Exemption

Extend current level of tax exemption through 9/30/07. (Senate, without tax exemption phase down)

29. Transit Benefits

Increase transit benefits to at least \$100/month. (Senate)



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

April 30, 1998

THE DIRECTOR

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

Dear Mr. Chairman:

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

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

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

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

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

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'F. D. Raines', with a stylized flourish at the end.

Franklin D. Raines
Director

Identical Letter Sent To:

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

Surface Transportation Reauthorization Funding
Alternatives assume obligations equal to a percentage of Prior Year HTF Receipts
(Mandatory and Discretionary \$ in billions)

4/29 -- 2:30pm

Delta vs Pres

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2003 Total	1998-2004 Total	1999-2003 Total	1999-2004 Total	1999-2005 Total
President's Budget													
BR	28.0	27.8	27.7	27.7	27.7	27.6	27.7	28.3	166.5	194.2	138.5	166.2	194.4
OL	26.5	27.3	27.7	27.8	28.0	28.1	27.3	27.6	165.4	192.7	138.9	166.2	193.8
HR 2400, BESTEA													
BR	29.3	35.0	38.9	38.8	38.9	38.8	--	--	219.7	--	190.4	--	--
OL	26.6	28.8	32.9	35.7	37.2	37.9	--	--	199.1	--	172.5	--	--
S 1173, ISTE2													
BR	27.8	36.7	37.4	38.0	38.7	39.5	--	--	218.0	--	190.3	--	--
OL	26.4	29.4	33.4	35.5	36.9	38.0	--	--	199.6 6/	--	173.2	--	--

33

34

Receipts - normalized

Hwy	27.8	27.9	28.6	29.1	29.7	30.3	30.8	31.4					
Transit	4.4	4.5	4.6	4.7	4.7	4.8	4.9	5.0					
	32.3	32.4	33.2	33.8	34.4	35.1	35.7	36.4	201.2	237.0	169.0	204.7	241.1

Alternative A

BR	28.0	32.4	32.4	33.2	33.8	34.4	35.1	35.8	194.2	229.3	166.2	201.3	237.1
OL	26.5	28.3	30.4	31.6	32.6	33.5	34.1	34.7	182.8	216.9	156.3	190.4	225.1

17

Alternative B

BR	28.0	27.8	27.7	33.2	33.8	34.4	35.1	35.8	184.9	220.0	157.0	192.1	227.9
OL	26.5	27.3	27.7	29.0	31.4	32.8	33.6	34.4	174.6	208.2	148.1	181.7	216.2

9.2

Alternative C

BR	28.0	27.8	27.7	32.1	33.8	34.4	35.1	35.8	183.8	218.9	155.9	191.0	226.7
OL	26.5	27.3	27.7	28.8	31.0	32.7	33.5	34.4	173.9	207.4	147.4	181.0	215.3

8.5

Alternative D

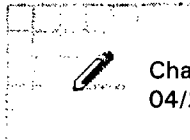
BR	28.0	27.8	27.7	27.7	30.4	34.4	35.1	35.8	176.0	211.1	148.1	183.2	218.9
OL	26.5	27.3	27.7	27.7	28.5	30.6	32.6	33.9	168.3	200.9	141.8	174.4	208.3

3

Alternatives For scenarios A-D, funding levels are set equal to a percentage of total Highway Trust Fund receipts as noted below.

	1998	1999	2000	2001	2002	2003	2004	2005
Alternative A	PB	100%	100%	100%	100%	100%	100%	100%
Alternative B	PB	PB	PB	100%	100%	100%	100%	100%
Alternative C	PB	PB	PB	97%	100%	100%	100%	100%
Alternative D	PB	PB	PB	PB	90%	100%	100%	100%

- Notes:**
1. Receipts have been normalized to eliminate the impact of the Taxpayer Relief Act of 1997 shift of 2 months motor fuels tax receipts from 1998 into 1999. Actual receipts are \$26.1 billion in 1998 and \$38.6 billion in 1999.
 2. Obligations are set equal to a percentage of prior year receipts.
 3. Alternatives ignore TF/GF distinction and assume all obligations are guaranteed, regardless of source, by some budget mechanism.
 4. The split between highways and transit is based upon the NEXTEA share of authorization which is 82% highways and 18% transit. The equivalent shares for BESTEA are 83 % highways and 17% transit. Under ISTE2, highways receives 81% and transit 19% of total authorizations.
 5. All scoring is OMB scoring, CBO will be slightly higher.
 6. Assumes any demonstration projects would have to be funded out of these totals. No demonstration projects are included.
 7. OMB scoring of ISTE2 is slightly higher than previous as a result of CBO and OMB consultations.



Charles R. Marr
04/21/98 04:33:19 PM

Record Type: Record

To: Melissa G. Green/OPD/EOP
cc:
Subject: Highways

Melissa --- this is not urgent -- I am putting a copy in book for tomorrow's scoring briefing.

Gene - a point to keep in back of mind, just in case down road.

1) Last year's discretionary caps were constructed with an embedded assumption on transportation.

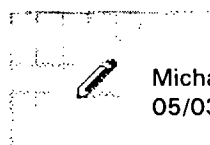
2) Our budget includes transportation funding **above** BBA levels:

	FY99		FY 98-2002	
	BA	OUT	BA	OUT
Pres. budget				
less BBA	1.6	1.5	7.2	7.7
		(billions)		

3) While obviously it would depend on whether sufficient mandatory offsets were available, we should keep in mind that, given our desire to alleviate cap compression as much as possible, there is very sound justification for using the BBA numbers as the base.

Suppose - the final construction lowered the caps by base transportation and funded the excess with mandatory offsets.

If, instead of using our budget, the BBA numbers were used we would have the additional funds listed above under the caps for other priorities.



Michael Deich
05/03/98 09:25:57 PM

Record Type: Record

To: Franklin D. Raines/OMB/EOP, Lawrence J. Stein/WHO/EOP
cc: See the distribution list at the bottom of this message
Subject: Sic Transit Gloria?

At Friday's mtg you both noted how hard it will be to get acceptable spending levels for transit. I share your concern. I think we might help our cause greatly, however, by including in Tuesday's meeting not only Baucus -- whose Committee has no jurisdiction over transit and who seems to have little if any regard for the Administration's transit goals -- but also conferees who have roughly equal standing and who are far more likely to support our policies, specifically, the ranking members of Senate Banking, Senate Finance, and Ways and Means. With transit advocates at the table, Baucus & Oberstar would have to fight not only the Administration, but also their fellow conferees. Having transit advocates present also will provide us a far better sense of the support that our proposal might have within the conference.

To emphasize the importance that we assign to transit, I recommend that one or both of you call the members to review the conversations that we've had to date, and to walk them through (1) what we hope to accomplish on transit (ensuring that transit funding receives the same guarantees as highway funding), and (2) the critical role that they will have to play if we are to succeed in our shared transit objectives. If neither of you have the time, I recommend that these calls take place at the staff level. Please advise.

Message Copied To:

Jill M. Blickstein/OMB/EOP
Janet Himler/OMB/EOP
Gene B. Sperling/OPD/EOP
Dorothy Robyn/OPD/EOP
Charles R. Marr/OPD/EOP
Jacob J. Lew/OMB/EOP
Joshua Gotbaum/OMB/EOP
Charles M. Brain/WHO/EOP
Charles Konigsberg/OMB/EOP