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ISTEA [Intermodal Surface Transportation Efficiency Act]: Letters

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

THE DIRECTOR

May 12, 1998

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

Dear Mr. Chairman:

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

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

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

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

This framework fulfills the objective of many in Congress that one hundred percent of Highway Trust Fund receipts be available for obligation. After an appropriate phase-in period, a new budget mechanism would require that total funding equal 100 percent of total HTF receipts. This funding guarantee would serve as both a floor and a ceiling for fiscal years 1999-2004. In exchange for the unprecedented guarantee of authority to spend all prior year Trust Fund receipts, this framework also establishes that total surface transportation spending will not exceed receipts. Total funding over the reauthorization period would equal $218.9 billion, which is between the amounts called for in the House and Senate bills. However, this funding would be provided over seven years, instead of six, in order to satisfy the Administration's core principles that the surplus not be depleted and the spending caps not be reduced.

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

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

Sincerely,

Franklin D. Raines
Director

Attachment

Identical Letter Sent To:

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

ISTEA REAUTHORIZATION

May 5, 1998

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

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

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

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

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

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

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

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

(In billions of dollars)

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

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

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

(In billions of dollars)

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

4/29/98, 7pm

For your FINAL clearance -- Letter to ISTEA conferees on budget levels

To: Erskine Bowles
Gene Sperling
John Podesta
Sylvia Mathews
Larry Stein
Rahm Emanuel

cc: Director Raines
Deputy Director Lew
Ed DeSeve, Josh Gotbaum, Michael Deich, Chuck Kieffer, Linda Ricci
Joe Minarik, Dick Emery, LRD, TCJS
Chuck Marr, Dorothy Robyn
Chuck Brain, Jeff Forbes, Martha Foley, Tracey Thorton, Jessica Gibson
Elana Kagan, Bill Marshall, Linda Lance

From: Chuck Konigsberg, OMB Legislative Affairs, 55069

Attached, for your final clearance is a letter from Director Raines to the ISTEA conferees, expressing serious concerns about the excessive spending levels in the House- and Senate-passed highway bills.

The objective is to send this letter to the Hill on Thursday -- along with Secretary Slater's detailed letter stating specific concerns about provisions in the two bills.

Please call Chuck Konigsberg or Kate Donovan at 395-4790 by 11am Thursday if you have any concerns about the attached letter.

DRAFT -- NOT FOR RELEASE

April 29, 1998

The Honorable Bud Shuster
Chairman
Committee of Conference on H.R. 2400
House Transportation and Infrastructure Committee
Washington, D.C. 20515

Dear Mr. Chairman:

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, 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 specific provisions of 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, 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. The Administration, however, has serious concerns about the excessive spending in the House and Senate bill. 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 cuts in nondefense discretionary programs \$31 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 initiatives including education, research, food stamps, and environmental programs; 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.

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 that the President can sign.

Sincerely,

Franklin D. Raines
Director

IDENTICAL LETTER SENT TO CHAIRMAN AND RANKING MEMBERS
OF THE COMMITTEES OF JURISDICTION OVER H.R. 2400

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

Draft

TRACEY

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

Under your leadership, the Senate has in recent weeks made significant progress toward the enactment of surface transportation reauthorization legislation that will ensure a safe, efficient and accessible transportation system into the 21st Century. I am writing, however, to express my grave concern about the contemplated amendment that would impose a "minimum allocation" scheme on our transit programs.

Sound transportation is crucial for sustaining economic prosperity and quality of life in our communities, particularly in the metropolitan areas where nearly 80 percent of Americans now live and work. If we are to meet the transportation challenges we face -- reducing congestion, protecting the environment and providing mobility for all Americans -- highways and transit must work in concert. Transit can continue to flourish in our urban and rural communities only if we continue to provide funding based on transit usage and needs, rather than on gas consumption.

Last week, you and other Senate leaders announced a commitment to provide $5 billion in additional resources in order to preserve the historic 80/20 split between highway and transit. The contemplated amendment to create a "minimum allocation" for transit, however, would allocate transit funds based solely on gas tax revenues and not on the basis of transit needs -- depriving transit-dependent communities of funds and undoing this significant achievement.

Transit Minimum Allocation is Inequitable

The minimum allocation amendment would redistribute transit dollars by mandating that each state receive a certain percentage of its payments into the Mass Transit Account. This would perversely assign transit funds based on gasoline consumption, rather than transit usage and need. In doing so, the amendment would penalize states whose residents use transit more and drive less, effectively punishing communities that have made an effort to address their environmental, congestion and mobility problems by increasing transit usage.

The new "minimum allocation" category would be funded by cutting badly needed resources for both urban and rural areas. It would reduce the transit funds that go to directly to urbanized areas and give the money to the states, and it would cut the national rural program. Significantly, the amendment also would take funds now assigned to the New Starts and Rail Modernization programs. This would dramatically curtail creation of new or expanded transit systems in communities *outside* the major cities usually portrayed as the prime beneficiaries of the transit program. And it would do so just as such new systems nationwide (e.g., Portland, Dallas and St. Louis) are succeeding in attracting substantial ridership and delivering tremendous benefits in terms of mobility, urban development and air quality.

Sponsors of the amendment have indicated that as many as 33 states would benefit. This is speculative, since the proposal calls for reducing funds from discretionary categories that benefit a broad range of states and communities, and which are widely distributed from year to year. Further, of the 33 states alleged to benefit, all but five are already receiving more than 100 percent return on their gas tax collections or on total Federal contributions.

Increasing Congestion and Harming our Economy

Traffic congestion in the Nation's largest 50 cities costs travelers more than $50 billion annually. These delays translate directly into added costs to businesses and to individuals. Even a relatively small reduction in transit capacity could dramatically increase congestion and delay costs for many American motorists. Further, transit is disproportionately used for peak period commuting, when the roads are at their *most* congested.

Undermining Environmental Progress

Minimum allocation will slow our progress in meeting pressing environmental goals. Roughly 110 million Americans live in areas with unhealthy air, according to EPA. Transit is substantially (30-40 percent) more energy efficient than automobile commuting. This efficiency advantage will continue to grow as a larger proportion of transit trips take place on low emissions clean fuel buses and light rail systems. All over the country, communities have made transit investment a cornerstone of their strategies to achieve Federal air quality standards. Plainly, shifting funds from transit investment or otherwise reducing transit capacity will undermine our efforts to give millions of Americans cleaner air to breathe. It will also undermine our commitment to global climate challenges.

Damaging Communities and Quality of Life

Transit provides essential access to jobs, shopping, medical services and other activities for the 80 million Americans who do not drive. Transit is essential to move people from welfare to work. A very small proportion of welfare recipients own cars and two-thirds of available jobs are located in suburbs, far from the rural and central city areas where welfare recipients are concentrated. Further, studies in Philadelphia, Boston, Portland, Oregon and other areas have shown that the availability of convenient transit service increases property values in both urban and suburban areas. High-quality transit service also spurs economic development and job creation.

I know the President shares my belief that strong and vibrant transit systems are critical to the Nation's economy and to the well-being of our communities. I would have very serious concerns about the disruptive impact that this amendment would have on balanced transportation for rural, suburban and urban areas, as well as the potential negative economic, environmental and energy consequences.

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

Sincerely,

Rodney E. Slater