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TEA - 21 [Transportation Equity Act of the 21st Century] [Folder 2] [1]

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To:

cc:
Subject: Today's Raines, Stein, Slater, Lew Meeting on ISTEA

Here's a quick read out of the meeting, which I attended in Gene's place:

Slater asked for meeting because he's doing a 6-state tour next week, and wants to know what message he should be sending. (Also, he'll be doing a speech at Nat'l Press Club the week after.)

Raines summarized the problems in ISTEA as four: 1) it's too big, relative to BBA; 2) as a result, it crowds out other priority investments -- either directly, or by using offsets needed for other things; 3) $9B in House demo's; and 4) the off-budget provision. Although we haven't said much about #3 and #4, where we want to go w. ISTEA is: smaller, less crowding out, fewer dem's, and on-budget. That said, there's no agreement internally on how to get there, and Frank can't really predict where we'll come out.

Raines and Stein suggested that Rodney talk about the importance of transportation investment -- and our good record -- but make clear it can't crowd out other important investments. (Rodney emphasized that non-highway transportation investments are the hardest hit in the Senate budget resolution -- that's half of what domenici uses to pay for ISTEA; he can obviously say that very effectively with a lot of audiences.) Rodney wanted guidance on what to say about the timing of the bill. We agreed that he should say: 1) We think we can get a good bill by May 1. 2) But if Congress can't get a good bill by May 1, they should slow down a bit in order to do it right.

In sum, Rodney's message should be: 1) it's too big; 2) it crowds out other investments; 3) we need a good bill by May 1; and 4) we need to maintain the good policies that are now in both bills -- DBE, WTW transportation services, environmental funding, etc.

The rest of the meeting was a discussion of strategy. Stein thinks that if we do some additional analysis and see how things play out, the right answer in terms of strategy will make itself apparent. He thinks we need 3 pieces of analysis: 1) crowding out effects of ISTEA -- both aggregate and compelling examples; 2) demonstration projects -- again, both aggregate and compelling examples; and 3) the best response to the Shuster, et al argument that we just want to spend what's rightfully ours -- namely, everything in the HTF. OMB is doing 1); DOT is doing 2); i'm going to take a crack at 3), by summarizing relevant info from the House Budget committee and possibly a GAO report on non-HTF spending on highways.

Larry thinks press coverage of the demo's has been brutal -- ABC even linked it to Shuster's need to deal with his legal problems. (He stressed that we should not be the source of any information on pork/demos; he thinks that story can tell itself.) Plus, he met w. Sen. Warner, who said he was embarrassed by the House bill -- the pork, the off-budget and the sheer size. He's mortified by the prospect of a Democratic president vetoing a GOP bill b/c of pork and excessive spending. Larry thinks the environment is there for things to turn around somewhat -- mostly likely, a jettisoning of the demo's. But he and others think it will be hard to get Congress to scale back the size of the bill much beyond that b/c increasing the pie was the way they solved the fractious formula fights.

Larry may also be underestimating the difficulty of getting rid of demos. He said he thought the House porkfest had embarrassed the Senate so much that it wouldn't add its own demos. But DOT officials (Steve Palmer and Jack Basso) tended to disagree; they said the Senate will likely get rid of some of the House's pork to make room for its own.

Larry and Frank agreed that they would jointly call Chafee, Warner and Baucus on Monday to try to slow them down a bit in terms of the conference. Slater said he would also try to use DOT's role in providing technical assistance -- e.g., in resolving the House-Senate formula differences -- to slow things down. We want to slow things down without being seen as doing so.

facsimile
TRANSMITTAL

to: Dorothy Robyn
fax #: 202 456-2223
re: Slater's Press Club speech
date: April 22, 1998
pages: 9, including this cover sheet.

Dorothy:

Here 'tis, but it is still a work in progress. I doubt there will be any major changes in the morning, probably just a few tweaks.

Regards,
Scott Scott

From the desk of...

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RS -- National Press Club luncheon -- 4/23/98
draft 2 -- (by Bonny/Bill) -- 25 minutes

(Note: You will speak after the luncheon to 400 members and guests in the Press Club ballroom. Your talk will be broadcast by National Public Radio and C-SPAN. You will be introduced by Doug Harbrecht, president of the press club and a Business Week reporter.)

Thank you Doug (Harbrecht). As a reporter who covers transportation issues, you recognize that we are at a critical moment in Washington with ISTEA reauthorization in conference committee. Your luncheon committee has an incredible sense of timing -- to know in advance that this would be the hot topic on Capitol Hill this week.

It is a topic of great interest to the American people for a simple reason: this multi-billion dollar blueprint for the nation's surface transportation architecture will have a profound effect on the lives of Americans everywhere into the new century.

This is ~~some of~~ the most significant domestic legislation that lawmakers will consider this year. It is not just about the next 6 years, it is about the next 60 years. It is not just about transportation. It is about the economy, the environment, equal opportunity, and so much more.

This bill truly is about our future.

A second critical link to our nation's future is aviation. ~~Many of you have heard me say that~~ our global aviation system will do for the world's economy in the 21st century what the nation's interstate system did for the American economy in the last half of the 20th century. Earlier this month, I proposed enhancing the safety and efficiency of our aviation system and of the Federal Aviation Administration.

But before I speak to these two issues, let me briefly share my own perspective as

Secretary of Transportation for the last 14 months. First, let me say it has been a time of extraordinary change. When I became Secretary, I had 3 items on which I wanted to focus

- continuing to put safety as our top priority,
- maintaining record-level investments, and
- applying common sense to what we do -- what this President and Vice President have called reinventing government

I am proud to say that we have made significant progress on all fronts. A new surface transportation bill and FAA reforms will ensure that we continue to make progress.

In safety, we have worked on the President's initiative to increase seat belt usage with a goal of saving 4,200 lives and preventing 102,000 injuries a year. We have a comprehensive plan to preserve the benefits of air bags and minimize their risks, and are working with manufacturers in the development of so called smart airbags -- real 21st century technology.

We have advocated tougher measures against drunk driving. We have made important strides in aviation safety and in how we ensure safe operations of the nation's railroads. We will continue to do more.

As strong as his commitment to transportation safety, President Clinton has made clear his commitment to building an ever-stronger transportation system. As the President said in his State of the Union address, "Americans have pursued a new strategy for prosperity." Part of this new strategy, he said, is investments in science and technology, education and skills and transportation.

Our investment has already paid off. Our roads and bridges are in better shape today than they were in the early 1990s. Our transit systems are growing all across the country in both urban and rural areas. Our efforts to bring reform to Amtrak and avert a rail strike will ensure Amtrak's future success. Our transportation industry has created 200,000 new jobs in the last five years.

The President's budget this year asks for 42 percent more for highways and transit than annual average spending during the prior Administration.

A little more than a year ago, I said I wanted to continue to bring common sense government to our customers and to our relationship with our stakeholders and partners. I said I wanted a department that worked better and cost less. So I am very proud that our department's strategic plan -- with goals centered on safety, mobility, economic growth and trade, the environment and national security -- was top rated in government.

And I am very proud that ours was the first federal agency to establish an electronic docket which gives citizens across the country the same access to our descisionmaking process as any Washington lobbyist.

But we have more to do. That is why earlier this week FAA Administrator Jane Garvey and I proposed an ambitious reinvention initiative to make the air traffic control system a performance-based organization -- to make it run more like a business.

Our proposal is strongly supported by the National Civil Aviation Review Commission's aviation experts from labor, industry and government. In 12 short years, this system ~~should~~ must be able to handle 1 billion passengers annually.

We also are investing $1.7 billion a year in our airports. And last week Vice President Gore announced our Safer Skies initiative, which will have a tremendous impact on air safety with its goal of reducing aviation accidents by 80 percent in the next decade.

Let me now address ISTEA reauthorization.

Transportation as a percentage of our nation's economy is growing -- most recently from about 11 percent of GDP to 13 percent. And this Administration's commitment is growing with it. Just over a year ago, the President announced a 6-year, $175-billion investment program for America's surface transportation system.

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 programs by 20 percent. 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.

Our proposal increased investment in surface transportation by $17 billion over ISTEA. And we know we need to ensure balance in our transportation system. We need to invest not just in highways, but in transit systems as well.

This bill is about more than concrete, asphalt and steel -- and about more than a sum of its dollars.

In very real terms, it is about mending, not ending affirmative action by preserving the Disadvantaged Business Enterprise (DBE) program for women and minority-owned construction firms.

It is about putting the brakes on drunk driving by setting a tough, national standard for blood alcohol of .08 percent.

It is about making sure welfare recipients have a ride to a new job and a new future.

It is about funding critical environmental projects such as electric buses and light rail systems.

It is about a fully integrated and interconnected transportation system -- aviation, shipping, rail, transit, and highways -- linked in a powerful way to take us into the 21st century.

We have proposed a balanced surface transportation program to meet the transportation needs of our country. Congress recognized that much of the President's proposal built on the success of ISTEA, and incorporated its principles into their own legislation. We are proud of this broad, bipartisan support for the President's principles.

But as the President said two days ago, the legislation under consideration is, and I quote, "far in excess of anything we can afford." It is certainly far in excess of the funding levels in the balanced budget agreement.

As the President has said, we need to invest in transportation infrastructure but not at the expense of education, of medical research and of the environment. I share his concerns.

Congress could also force cuts in vital transportation programs, such as FAA modernization and the Coast Guard's national security mission. And the bill, as passed by the House, would take the Highway Trust Fund off budget. We have come too far and worked too hard to balance the budget to see that work negated by this kind of action. That provision must be stricken from the bill.

President Clinton has balanced the budget 3 years early. We now have a budget surplus. But we must keep in mind, the surplus is not for transportation. We cannot do any spending that will cut into Social Security. This reflects the President's priorities. Transportation is one important part of our investment in America's future. But it is not the only one.

I intend to work with the Congress to ensure that we preserve the President's priorities, continue record levels of investment but do not sacrifice other important efforts in the process. I urge Congress show restraint in the days ahead. Work with us for a bill that makes good, common sense. I think we can do it. I think, together, we can craft a good bill that the President can sign. Let us work together quickly. The spring construction season is upon us.

In transportation, our real product is not highways, or airplanes, or cars. Our real product is getting people to school, to work, to play -- to connect people to all the opportunities available to them. Transportation is the tie that binds -- that binds you and me to a good job, a quality school, a safe community, a clean environment.

Let me close by sharing this with you. I have taken two extremely useful "spring breaks" since I became Secretary of Transportation. Last April, I toured the northeastern part of the country. I have just come back from a five-day, six-state tour of the southeastern part of the United States. I have seen how an investment in transportation can build communities one at a time. I have seen how much progress we have made toward our strategic goals -- and how far we have yet to go.

On these trips, we ask, are we making transportation safer and people more mobile? Are we adding to the bounty through trade and economic growth? Are we enhancing national security and improving the environment? In essence, we have gone forth to listen and to learn -- to respond in partnership to the dreams, hopes and aspirations of those whom we have the privilege to serve. And based on what we hear, we will fashion our programs for the 21st century.

On my most recent trip, I visited ports in Virginia and Florida, toured the prospective site of an international airline cargo terminal in North Carolina, rode electric buses in Tennessee and

Amtrak through North Carolina, and talked with commuters in Charleston. A wonderful trip.

These trips have reinforced my belief that we must build an integrated transportation system that is international in reach, intermodal in form, intelligent in character and inclusive in service.

Why international in reach? Because in a global economy, we need a strong national transportation system that gives us access to markets beyond our borders and enables our businesses the edge they need to compete.

We have made progress opening markets for our carriers to compete. In the past year some 26 open skies agreements were signed. We are opening markets around the globe.

Why intermodal in form?

Because we have learned that a transportation system is only as strong as its weakest link. If a load of steel sits on a dock because you cannot truck it inland to the factory, it is not much good to anyone.

Why intelligent in character?

Because as I travel the Beltway and America's main streets, I see message signs that alert motorists to congestion and **more from Tovah**. All these things help keep our citizens safe, and our roadways working at peak efficiency.

Finally, my vision for an integrated transportation system is one that is inclusive in service — one where all citizens benefit.

One of the biggest barriers facing people who move from welfare to work is finding transportation. We at the Department of Transportation are the "to" in welfare to work.

On my trip two weeks ago, I saw a diverse economy and booming tourism changing the landscape of the American South land. We have to make the transportation investment that will support this type of growth. And we must do so keeping the fiscal discipline of last year's balanced budget agreement. But let us do it in a way that keeps the economy healthy and prepares our people, and our nation, for the new century.

The President has proposed a strong program for investment -- not just in transportation but in every area that supports Americans and their way of life. Because he balanced the budget 3 years early, we have the opportunity now -- before we leave this century -- to make choices for our future.

The debate before us is about the choices we make. And the choices we make today will determine the way we live tomorrow. We have made great progress, but believe me when I say, the best is yet to come.

Thank you.

• Too much $

• Will crowd out our priorities

Convince to raise issues w/ Congress abt $

- Size of offsets

- Crowding out

Keep h/way looking off balance - allow for our opening

Keep up that drumbeat - not rule out a VETO = i hope that Cong. makes a mistake / allows an opp. for us to

- Lower spending level

- Protect housing

Today's mtg:

- More of same

- House Cons principle for X: δ: spending receipts
  - now they're defining it as outlays = rcpts, which allows
  - aggregate w/ th yr. to yr.
    - fixes cross in 2000
    - initially, ~~cons~~ outlays > r

So, can we maintain the principle while walking them back — i.e., phase in.

- Concern on ~~Hill~~ ~~the~~ abt.

- Hill may be embarrassed; want Admin to help them out
- But we don't want to go 1st in wg. — i give them the answer
- Gene intrigued by Domenici's approach - "the big lie."

Idea of separate account / fund (Chafee / Bond)
- To deal w/ ~~Chafee/Bond~~ transit problem,
You'd treat all the $ the same.

Next steps:

- Were supposed to go up to meet w/ T & I staff

On Mon., Stein wanted to meet w/ 4 principal

Rains talked yest. w/ Chafee - he's looking for Admin to bail him

But Stein thinks it's a mistake to accept.

Other NDD Cuts to Support House BESTEA and Presidential Initiatives

Funding Surface Transportation Programs at the House BESTEA level and Presidential initiatives would result in a **2.0 percent outlay reduction** in FY 1999 to "all other NDD programs." Assuming an average spendout rate for these other programs, this would require a **3.9 percent budget authority reduction.** On average **over the next five years**, outlays for all other NDD programs **would be cut by 5.5 percent.** Budget authority **would be cut by 6.7 percent** on average over the next five years.

PROGRAMMATIC IMPLICATIONS:

Agriculture:

- **Undermines food safety.** A reduction of this magnitude could mean the layoff or RIF of an estimated 250 meat and poultry inspectors, which would result in the slowdown of production, or even rotating shut-downs, in some meat and poultry slaughter and processing plants. Such a reduction could also deny vital investments proposed for the President's Food Safety Initiative and mean a delay of USDA's modernization of the Federal meat and poultry inspection system, as well as reduced funding for mandatory improvements in state inspection systems, including upgraded state lab testing for pathogens.

- **Decreases WIC participation rates.** The President proposed a monthly participation level of 7.5 million in FY 1999 and in the outyears. A 2.0 percent reduction in outlays in FY 1999 and larger reductions in the outyears would reduce WIC participation by 100,000 to 7.4 million in FY 1999, by 300,000 to 7.2 million in FY 2000, by 400,000 to 7.1 million in FY 2001, and by 600,000 to 6.9 million in fiscal years 2002 and 2003.

Commerce:

- **Funding restrictions at this period in the decennial cycle would seriously threaten the accuracy of the final decennial census.** The Administration has requested $849 million for final decennial census preparations in 1999, an increase of $459 million over the 1998 enacted level. This level of funding provides essential funding to continue key preparatory activities -- such as finalizing the master address file, expanding the field infrastructure, and producing the questionnaires and public use forms -- for the Constitutionally-mandated decennial census.

- **Would result in significant program cuts to the Advanced Technology Program and Manufacturing Extension Partnership in NIST's Industrial Technology Services account.** This reduction could result in the elimination of 33 of the 94 new ATP awards planned for FY 1999. These awards support cost-shared research on technologies promising broad benefits to the U.S. economy. The cut to MEP would result in the elimination of Federal funding for thirteen manufacturing extension centers, which would deprive over 5,200 manufacturers from receiving assistance in modernizing their facilities and saving jobs.

- **Economic Development Administration - would deprive over 160 distressed communities from receiving assistance.** These distressed communities include those adversely impacted by Defense base closures, natural disasters, major plant closings, and trade agreements. A 5.5 percent cut over five years would limit EDA's ability to provide assistance to localities, support jobs, and leverage private sector resources.

Education Department:

- **750,000 children would be denied assistance under Title I in FY 1999**; and over five years, 2.7 million children would be denied assistance.

- **100 new Charter Schools could be not opened in FY 1999**; and over five years, 350 new Charter Schools could not be opened.

- **3.8 million students would see a $170 decrease in their awards and 74,000 fewer low-income students would receive Pell grants in FY 1999.** Over five years, Pell maximum grants would be reduced on average by $123; and 281,000 fewer low-income students would receive Pell grants .

- **All funding for new discretionary initiatives would be eliminated and (e.g. Education Opportunity Zones, High Hopes)** -- preventing 175,000 at-risk middle school students from receiving mentoring and tutoring, denying additional assistance to poor schools in their efforts to undertake school reforms, preventing after school programs from serving an additional 450,000 students, and preventing new efforts to improve teacher training and recruit 7,000 new teachers.

Energy Department:

- **Cancels and closes science user facilities.** Energy would be unable to build the Spallation Neutron Source, leaving the United States without a facility comparable to those in Europe and Japan which is vital to research in materials science, structural biology, metallurgy, and chemistry. Operation of existing DOE user facilities that serve thousands of Government and private scientists would have to be curtailed or suspended.

- **20-50 Percent Cut in Climate Change Technology Initiative**. These reductions could mean as much as a 50 percent reduction in the proposed increases for the two largest components of the Climate Change Technology Initiative (CCTI) --DOE's Energy Conservation and Solar and Renewable Energy programs. Without the requested funding, these programs will lack many of the technologies needed to make serious progress in reducing greenhouse gas emissions.

Health and Human Services:

- Requires **Head Start** budget authority level of $4,432 million in FY 1999, $228 million below the President's request (4.9 percent reduction). The President's FY 1999 budget provides funds for up to 36,000 slots for regular Head Start, 10,000 slots for Early Head Start, and COLA and quality investments. At a funding level of $4,432 million, the program would not be able to maintain its expansion goals -- even if it did not make COLA and quality investments in FY 1999. Specifically, foregoing COLA and quality could mean that Head Start will not be able to expand Early Head Start in FY 1999 and can only add about 20,000 new slots for regular Head Start. Preserving COLA and quality investments at such a funding level could mean that Head Start could add only up to 7,300 new slots for regular Head Start and no new slots for Early Head Start.

  An average outlay cut of 5.5 percent over five years would seriously compromise the President's commitment to provide Head Start services to one million children by FY 2002. Depending on how much was set-aside for COLA and quality investments, a five-year cut could result in Head Start falling about 60,000 to 120,000 children short of the President's commitment.

- **Reduces budget authority for the Child Care and Development Block Grant by $27 million, potentially eliminating child care assistance to roughly 10,000 low-income children.**

- **Reduces total funding for NIH-supported medical research by over $570 million in FY 1999 and by $5.7 billion over five years.** If done proportionately, funding for investigator-initiated research project grants (RPG's) would be cut by over \$315 million in FY 1999 and more than \$3.2 billion over five years. If the RPG cut is taken all out of new grants, this would deny funding to over 1,100 meritorious research grant applications in FY 1999 and more than 11,500 over five years. A reduction of this magnitude in funding for new research ideas and would slow the scientific community's progress in developing treatment and prevention strategies for life-threatening diseases such as cancer, cardiovascular disease, AIDS and diabetes.

- **Reduces funding for Ryan White program by more than $37 million in FY 1999 and more than $322 million over five years, limiting the services available to people with AIDS just as new treatments are providing hope that AIDS need not be a fatal disease.** In FY 1999, such a reduction could result in about 16,000 fewer people receiving services through Title I grants to cities, 2,200 fewer people receiving drugs through the AIDS Drug Assistance Program, and 3,000 fewer people receiving services in Title III clinics. Over five years, such reductions could result in about 138,500 fewer people receiving Title I services annually, about 19,100 fewer people receiving ADAP services annually, and about 26,500 fewer people receiving Title III services annually. Such funding reductions would undermine Ryan White's ability to address growing demand for AIDS services.

- **Reduces funding for HRSA by nearly $150 million in FY 1999 and over $1.2 billion over five years, undermining health care and services for women and children, uninsured people, and people with AIDS**; it would cut Health Centers well below the President's request -- possibly preventing over 400,000 people from receiving health services in FY 1999 and more than 3.5 million people over five years. It would also reduce funding for the Maternal and Child Health Block Grant well below the President's Budget.

- **Eliminates funding in the Office of Emergency Preparedness for one to two cities' Metropolitan Medical Strike Teams (MMSTs)**, which are part of a system to respond to the medical consequences of terrorist events involving biological and chemical weapons.

- **Reduces funding for the Initiative to Improve Health Care Quality**, which would impede the development of research and research tools to measure the quality of health care, as well as research on consumers' use of information on quality.

- **Reduces funding for SAMHSA by $89 million in FY 1999, with sizable cuts to the Mental Health Block Grant and the Substance Abuse Block Grant**, denying substance abuse treatment to almost 30,000 people. Over five years, SAMHSA's funding would be cut by $759 million, denying treatment to nearly 250,000 people.

- **Reduces funding for CDC** by nearly $100 million in FY 1999 and $820 million over five years, cutting childhood immunization funding, reducing funding for HIV prevention and breast and cervical cancer screening.

- **Reduces funding for HCFA Program Management by $65 million in FY 1999 and $550 million over five years, necessitating deep cuts across all HCFA activities.** Assuming that Congress does not enact any of the HCFA user fees, a reduction of this magnitude would impact base functions (e.g., contractor non-renewals, the Medicare handbook, initial and recertification surveys, and beneficiary appeals) as well as the implementation of new initiatives (e.g., the Balanced Budget Act, the Health Insurance Portability and Accountability Act, and Medicare + Choice). The effects of such a funding level would be felt by both Medicare contractors and beneficiaries.

Housing and Urban Development:

- **Reduces both public housing and Section 8 rental assistance to low-income families by up to 100,000 families in 1999 and 400,000 families at the end of five-years.** If the number of subsidized low-income families could not be reduced, then enactment of legislation would be necessary to lower the overall level of the families' subsidy by 2 percent in 1999 and 8 percent in 2003. In addition, HUD would require similar cuts in block grants to States and localities for community development and housing.

- **Job Creation, Economic Opportunity, Housing and Homeownership --** Cuts would imperil, reduce or eliminate HUD's proposed job creation efforts, including a Community Empowerment Fund to get businesses the start-up capital they need to create jobs, money to convert old polluted brownfields into thriving businesses and funding for a new round of Empowerment Zones to bring opportunity back to the inner city. Cuts would eliminate both new vouchers to help people move from welfare to work and the funding increase for the homeless. Finally, the overall reductions in operating subsidies for public housing will force local housing authorities to reduce services to low-income residents and cuts in administrative expenses could jeopardize a major management reform effort needed to improve HUD's performance across the board.

Interior:

- **Virtually eliminates the requested increase for National Park Service Priority Maintenance.** Over five years, the Administration proposes an 8 percent increase in discretionary funding over FY 1998 levels for facility maintenance and construction. A 6.7 percent budget authority reduction to offset ISTEA increases would eliminate nearly all of the increases for park facilities, which are needed to support maintenance and construction projects designed to preserve and protect the Nation's precious natural, historic and cultural resources for the enjoyment of current and future generations.

- **Inadequately funds the Endangered Species Act (ESA) program.** Would cut the President's request for Interior's Fish and Wildlife Service (FWS) by $32 million (and larger outyear reductions). This funding level would severely affect successful implementation of the ESA reforms initiated by the Administration and included in pending ESA reauthorization legislation. It would reduce the number of completed consultations on federal grazing permits, timber sales, and wetlands permits; prevent FWS staff from working on several large habitat conservation plans; and stop FWS from providing any new private landowners incentives for habitat conservation.

Justice:

- **Eliminates 1,000 Border Patrol agents.** Such a reduction would not provide enough resources to fund 1,000 agents in 1999, which are needed to fill enforcement gaps and to enhance Border Patrol presence along the Southwest border. Additionally, the cut means that mandated detention and removal requirements could not be met. The cut would also adversely affect our ability to deploy "force multiplying" technology, which will increase the effectiveness of Border Patrol agents and enable INS to better control the border. A 6.7 percent budget authority cut over five years would significantly constrain our ability to shift our focus from observing the border to responding to known intrusions.

- **Eliminates new Federal Bureau of Investigation agents and Drug Enforcement Administration agents.** Such a reductions would cut the FBI's budget by 2.8 percent from the 1998 enacted level. The cut would not only eliminate new agents needed to combat increased threats of domestic and international terrorism, including cyber crime, but would reduce base staffing. The cut would also reduce the number of DEA agents that could be hired to enhance domestic anti-heroin and anti-methamphetamine efforts. A 6.7 percent budget authority reduction over five years would adversely impact FBI and DEA ability to respond to new and emerging law enforcement needs.

- **Federal Prisons.** Would mean no money for new activations or sufficient resources to provide annualization of prior year increases in 1999, adversely impacting the activation of the following facilities and expansions: Loretto, PA expansion 200 beds; Butner, NC 763 beds; Edgefield, SC 1,664 beds; and Beaumont, TX 1,152 beds. The resulting delays would negatively affect the Bureau of Prisons' ability to fill as many as 3,800 beds.

Labor Department:

- **Job Training Programs.** Most of the Department's job training programs in the Training and Employment Services (TES) account are forward funded. This cut would have the following effects:

  -- **Results in about 248,000 fewer dislocated workers receiving training, job search assistance, and support services.** The 1999 outlay cut of 2 percent would require a one-year budget authority cut that reduces outlays over the 5-year period by more than 5.5 percent

  -- **Eliminates about 22,000 summer job opportunities for low-income youth in the Summer of 1999.** To achieve a 5.5 percent outlay cut for the period 1999-2003, the budget authority would have to be cut by $278 million over 5 years, or 6.4 percent. This would eliminate about 174,000 Summer Job opportunities over the 5-year period

  -- **Adult training grants - results in about 238,000 fewer low-income adults receiving training and employment services.** About 40 percent of program participants are welfare recipients. The 1999 outlay cut of 2 percent would require a one-year budget authority cut that reduces outlays over the 5-year period by more than 5.5 percent

  -- **Job Corps -- eliminates about 7,200 residential training slots for extremely disadvantaged youth.** The 5-center expansion initiative launched in FY 1998 in response to Congressional appropriations report language would be delayed or stopped.

- **Reductions would mean significant cuts to the implementation grants to States to develop One-stop Career Center systems and jeopardize funding for America's Labor Market Information System including America's Job Bank.**

- **Employment Service - cuts of this magnitude would harm labor exchange and job search assistance for unemployed workers.**

- **Community Service Employment for Older Americans (Labor)** is forward funded. Budget authority would be cut by $46.4 million in FY 199 (10.5 percent) and some 6,400 low-income older Americans would lose their part-time jobs. Over FY's 1999 - 2003, budget authority would be cut by over $121 million and some 16,800 fewer part-time community service jobs would be available for the low-income elderly.

Veterans Affairs:

- **Veterans Medical Care - would impede on the Department's ability to increase access to high quality health care.** As a result of these reductions, VA would treat an estimated 72,000 fewer veteran patients in FY 1999, including 14,000 in need of hospital care. A $5.2 billion reduction over five years would result in 1.1 million fewer veterans being treated, including 154,000 in need of hospital care.

Environmental Protection Agency:

- **EPA Operating Program -- reductions would significantly hamper EPA's ability to protect and improve the environment.** In particular, it would jeopardize EPA's ability to carry out the Clean Water Action Plan to address pollution from factory farms, and the Climate Change Technology Initiative which would reduce greenhouse gas emissions, cut energy usage and save consumers money.

- **Lost Capitalization for the Clean Water and Drinking Water State Revolving Funds (SRFs)** -- A 3.9 percent cut to the FY 1999 combined SRF request of $1.85 billion would reduce Federal capitalization by more than $72 million. This 3.9 percent budget authority cut to FY 1999 would result in a loss of more than $288 million in loans to municipalities. A 6.7 percent cut to the FY 99-2003 combined SRFs request of $8.35 billion would reduce Federal capitalization by $559 million, resulting in a total loss of about $2.2 billion in loans to municipalities.

- **Slows Superfund cleanups** -- Results in eight fewer completions of Superfund toxic waste sites in FY 1999 and 135 fewer completions over five years, needlessly jeopardizing public health.

National Aeronautics and Space Administration (NASA):

- **Jeopardizes International Space Station deployment.** With its first launch scheduled for later this year, Space Station is entering a critical phase in its development. The proposed cuts could lead to multi-year delays in Space Station deployment and raise outyear Space Station costs by billions of dollars.

- **Threatens science programs.** The proposed cuts would endanger NASA's science programs, especially the increase being sought by the Administration for new Space Science missions to complement the Origins initiative begun by the Administration and Congress last year. NASA Space Science achieved several notable successes this past year (the Mars Pathfinder, Galileo, Hubble Space Telescope, and Lunar Prospector missions), and the proposed reductions would undercut major efforts to follow up on these successes.

Office of Personnel Management:

- **Results in a RIF of about 175 FTE to accommodate an average annual outlay reduction of $10 million from the FY 1999 budget levels.** These staffing reductions, taken against an agency that has already reduced its FTE levels by over 50 percent since 1993, would have a significant adverse impact on OPM's ability to continue to provide the level and quality of services required during this period of Government-wide downsizing, including: lengthen the claims processing times for retirement claims, delay systems modernization and maintenance investments necessary to maintain effective service delivery, decrease OPM's ability to provide workforce restructuring assistance, reduce OPM's ability to monitor agency implementation of merit system.

National Science Foundation (NSF):

- **Reduces support for research.** Under the proposed cuts, the number of new projects that NSF could support would drop by 1,000, and the number of researchers, educators and students that NSF could support would also drop 8,650 for FY 1999. The proposed cuts would make it impossible for NSF to meet certain GPRA performance goals like increasing the percentage of competitive grants awarded to new investigators and increasing the size and duration of grants. Improvements to information systems that would enable NSF to increase productivity would also be delayed. The ultimate outcomes of the cuts would be: reduced investment in universities and colleges, negative impact on industries and agencies that rely on NSF research, and a slowing in the development of the U.S. scientific knowledge base.

National Service:

- **The National Service program would be cut by about $190 million (24 percent) in 1999, reducing funding below the 1998, 1997, and 1996 enacted levels.** Nearly all funding for the AmeriCorps programs would be eliminated, including funding for some 6,000 participants who, in turn, would have leveraged hundreds of thousands of volunteer tutors working with children under the America Reads initiative.

BNA
Daily Report for Executives

No. 76
Tuesday April 21, 1998

Regulation, Law & Economics

Transportation
ISTEA Conference Off to Slow Start;
Administration Said Weighing Veto Threat

The House-Senate conference on the rewrite of the Intermodal Surface Transportation Efficiency Act appears to be off to a slow start, with Senate GOP Leader Trent Lott (R-Miss) April 20 declining to specify when he expects the legislation will be finalized and presented to lawmakers for a vote.

While states face a real cutoff in highway funds in less than 10 days, Lott did not include the ISTEA conference report among the top items to be taken up by the Senate in the next few weeks, instead listing education, Internal Revenue Service reform, and many other legislative items as more likely to come to the floor soon.

Lott, who outlined the Senate schedule as lawmakers returned from the spring break, said he expects conferees on the ISTEA bill will begin meeting shortly, possibly April 21, but he did not indicate when he expects the conference report on the legislation to be finished.

Lott said he is aware that the Clinton administration now is raising concerns about the $214 billion ISTEA bill that the Senate overwhelmingly approved last month, but he said the administration--which has suggested it will try to trim the legislation's funding by as much as $18 billion--is not likely to be able to force many changes to the bill.

The administration will get "as far as Ronald Reagan did when he vetoed the highway bill" in the 1980s, Lott said. "I believe we overrode it," he added.

However, Senate Minority Leader Thomas Daschle (D-SD), who spoke to reporters at a press briefing with Education Secretary Richard Riley later in the day, was less certain that the administration will fail in efforts to scale back the ISTEA bills (HR 2400/S 1173). Daschle also suggested that the administration is weighing whether to threaten a veto of the legislation in order to force some changes in the conference committee.

Daschle indicated that the administration would propose cutting the ISTEA bill's funding by $18 billion or another level in order to shift those funds to education. "I think [President Clinton] would argue vociferously that we ought to make education every bit as much a priority as we've made transportation," he said.

States Call For Quick Action

The Senate leaders' comments on the bill came just as state transportation officials were meeting to discuss the outlook for the ISTEA reauthorization. With states' facing a cutoff in funding on May 1, members of the American Association of State Highway Officials adopted a resolution April 20 urging Congress to approve a final ISTEA bill by that date. AASHTO said it would contact all members of Congress to urge early action on the legislation.

The AASHTO board of directors, meeting in Baltimore, Md., to discuss the ISTEA rewrite, said that failure to reauthorize the programs by that date puts several states at risk of losing "all or a substantial portion" of their construction season. That, in turn, would result in the loss of many construction jobs in the transportation sector, the board said.

Many state officials said they are increasingly convinced that Congress will not complete the reauthorization bill for weeks, possibly not until sometime in June.

"In my opinion, they're not going to make it," said Joe Mickes, chief engineer for the Missouri Department of Transportation. "They set their target date, and I think we need to remind them."

Under the short-term extension of ISTEA developed by the Senate last fall, states had until May 1 to obligate their highway construction dollars. After that date, states will not be able to spend any funds until the enactment of a multi-year reauthorization bill.

Mickes, who chairs AASHTO's subcommittee on highway maintenance, said many states had planned bid lettings for construction work in April and May. However, those plans now may have to be put on hold, he said.

"We will not have the money, and this worries me," Mickes said.

With the timing of the reauthorization now slowing, state officials said they may plan more meetings with lawmakers to stress the importance of finishing the bill this spring. Meanwhile, industry officials also are organizing a fly-in on the eve of the deadline to draw attention to the impending lapse.

Among others, members of the Keep America Moving coalition plan to hold a Capitol Hill rally April 29 to urge action on the ISTEA rewrite.

Guarantee of Spending Also Urged

In addition to calling for early action on the ISTEA legislation, AASHTO adopted policy urging Congress to incorporate some mechanism in the final bill that ensures that annual spending on highways and transit will accurately reflect the revenues flowing into the Highway Trust Fund.

Although AASHTO did not specify a funding level in the resolution, setting transportation spending at a level commensurate with gas tax revenues translates into large spending increases such as those endorsed by both the House and Senate.

Although AASHTO supports House efforts to take the Highway Trust Fund off budget, the association declined to specifically endorse that approach in the resolution, with some members saying that would amount to "taking sides" in the reauthorization debate.

According to meeting attendees, the Senate is currently looking at options for guaranteeing the higher spending, including a mechanism that would "wall off" transportation in the budget process. Among others, Sen. Christopher Bond (R-Mo) is said to be working with Senate Budget Committee Chairman Pete Domenici (R-NM) on the issue.

Bond, the only member of the Senate Environment and Public Works Committee running for reelection this year, "wants something with his name on it," a meeting attendee said.

In a related development, long-time AASHTO executive director Francis Francois announced to the board his intention to retire from his position effective next February.

By Nancy Ognanovich

April 20, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN
GENE SPERLING

SUBJECT: ISTEA BILL

I. OVERVIEW

The highway bill now in conference spends approximately $34 billion in outlays over six years above the surface transportation levels proposed in your budget submission. The intent of Congressmen Shuster and Oberstar is to fund that additional highway spending with the mandatory spending cuts proposed in your budget as offsets for your initiatives. If the mandatory offsets are insufficient, as they are likely to be, the Speaker has instructed the conferees to reduce the discretionary spending pot by the amounts needed to offset the rest of the bill. Coupled with the Senate-passed Budget Resolution's exclusive reservation of tobacco proceeds for Medicare Part A, the exorbitant highway funding levels will inevitably exert a crowding out effect on the already constrained pool of domestic discretionary resources.

The ultimate endpoint of the highway process is by no means clear. For example, it is uncertain whether the conference can get a majority of votes for all the offsets proposed in your budget, with the veterans tobacco offset (more than $10 billion over 5 years) presenting particular problems. In addition, the House bill contains approximately 1600 "demonstration" projects portioned out roughly 55% to 45% between Republicans and Democrats. The Senate bill contains none. Finally, the House bill contains provisions putting highway spending off budget, thereby allowing the "trust fund" (paid for with dedicated gas taxes) to finance transportation spending irrespective of budgetary rules or constraints. Any or all of these questions could cause a delay in the conference's progress or lost votes or both. Though it is unlikely that so sought-after a block of funds would be held up for long (especially given that the current extension of existing funding expires on May 1), there is some possibility that the bill will not come out of conference with the overwhelming level of support it had in both bodies--96-4 in the Senate and 337 to 80 in the House.

On the other hand, there is a high probability that the biggest public works bill in a decade will present us with veto proof majorities in both houses at the end of the day. The ISTEA debate in the early '90s devolved into a fight among the various regions of the country and between donor and donee states. During those years, bitter quarrels over distribution resulted in extensions and delays without appropriate modernization of the funding formula. Everyone suffered. The main reason that the bills have moved this year with near unanimity is that the formula fights have been overwhelmed by the sheer volume of cash. Each state has gotten at least 93 cents on the dollar and that fix has been available simply because the massive amount of money made it possible. In short, reducing the overall level of spending could well thrust both bodies back into another bitter formula fight--a situation that neither party will accept. The bottom line is that even if we were able to sustain a veto, you would ultimately be presented with a highway bill that spends very nearly as much money as this one will.

Our problem is both optical and real. The bill will harm our priorities now and in the future. Moreover, there are significant downsides to signing a bill that transparently overspends. On the other hand, one cannot deny the powerful pent up demand for transportation funding reinforced by the argument that the Highway Trust Fund, and its dedicated gas tax, are being used to balance the budget. At the state level, the appetite for this bill is nearly overwhelming. Labor (Building Trades) will be vigorously activated against any attempt to slow it down. And members (Democrats and Republicans) will be incensed at any ascription of "pork" status to their projects, especially if it comes from the Oval Office.

II. KEY ISSUES

1. Squeezed Domestic Discretionary Priorities

The excessive spending in the Congressional bills pose a threat to your priorities. Cuts of the magnitude required to fund these bills out of discretionary would sharply stress virtually every program. If we assume the level of domestic discretionary funding in your budget (a level that is $60 billion in gross dollars above the discretionary caps, which is paid for with mandatory offsets to make room under the caps), the highway bill would require a 2 percent outlay reduction in the other non-defense accounts and up to a 3.9 percent reduction in budget authority for fiscal year '99. Assuming that our offsets are rejected, along with the spending they would support, the highway bill would cut the remaining spending under the caps by roughly half that, 1 percent in outlays and 2 percent in budget authority. Over 5 years, the cut from the level in your budget would be 5.5 percent in outlays and 6.7 percent in budget authority in FY1999. And again, half that 5 year level of cut would apply if the assumed starting point is caps without offsets.

A good public case about the crowding out effect can be made and would have the potential to erode support for the bill. Making a very strong public case along these lines, however, would make it more difficult to sign a bill that is likely to pass with overwhelming support.

2. Mandatory Offsets

To the extent that the effort to lower the excessive highway spending fails, additional highway spending must come out of other discretionary programs as described above, or from mandatory offsets or out of the surplus.

The Senate budget resolution reserves the mandatory offsets from your budget for highways. According to CBO, the Senate list raises $18.5 billion over five years. We obviously proposed these offsets to fund priorities other than highways. For example, your budget uses administrative reforms in the Food Stamp program to fund food stamps for legal immigrants. Authorizing Committees in Congress will not easily let go of savings under their jurisdiction to fund a program, highways, that is outside their jurisdiction. However, the Republican leadership appears committed to reserving these funds for highways.

3. Highway Trust Fund

a. Level of Spending

In addition to the political pressure for a high spending level as described above, proponents will continue to make the case on the Highway Trust Fund -- that this money is raised from a dedicated source, the gas tax, and that it should be spent on its intended purpose. Many will find this argument compelling. We have a case to make in response: Contrary to conventional wisdom, spending from the trust fund has exceeded gas tax receipts over the life of the fund (up until 1996), but particularly in recent history (1980-1995). The current trust fund surplus is largely the result of accumulated compound interest on balances from the late 1960s and 1970s --balances reflecting deliberate federal efforts to control non-defense spending.

They will fight back saying that interest is part of the surplus, just as interest is part of the Social Security trust fund. Even if they concede the past, they might say just give us the gas tax money going forward (this would amount to $19 billion above our budget over FY1999-2003). We would expect that their argument would include past statements you made as Governor in support of the trust fund argument

b. Relationship to Saving Social Security First

The Highway Trust Fund could likely become entangled with our argument on Saving Social Security First. Highway supporters could claim that their high spending levels are consistent with Saving Social Security First pledge -- because money owed from the Highway Trust should not be considered a legitimate part of the surplus.

On the one hand, allowing a self-financed transportation or highway account that was outside the caps could be a way of allowing the Congressionally desired amounts of highway spending without lowering the caps excessively and squeezing out other domestic priorities. On the other hand, many your advisors believe that budget experts will see this as surplus spending and that you could be sharply criticized for breaking a solemn pledge to reserve every penny of the surplus until there was a long-term Social Security fix.

4. Possible Veto

Given the excessive spending in the bill and the threat it poses to your priorities, a veto should be considered. Three veto formulations include:

1) Veto and Sustain -- If we were able to muster a veto sustaining margin in one house, it would give us powerful leverage over the final product. Such a course would have the virtue of putting Democrats on the side of fiscal responsibility and the Republicans on the side of spending tax dollars for pork. The problem is that, given the overwhelming votes, we are unlikely to lock in

with certainty an override-proof margin.

2) Uncertain Veto -- We could veto in absence of having a certain sustaining coalition. This would be risky and, if we lost, the issue of diminished effectiveness would likely be raised.

3) Symbolic Veto -- Your advisors have discussed, and are split, on the wisdom of a symbolic veto -- a veto in which you say you are taking a principled stand for fiscal discipline, while saying that you know you will not prevail. On the one hand, some of your advisors believe that any time a President loses on a veto the President is harmed. Others believe that a principled stand would be positively received as you would be standing up for fiscal discipline and responsibility.

6. Demonstration Projects -- Issue of Pork

The large number of projects in the House bill is an inviting target to elevate in the mind of the public. We could increase our chances of changing votes if we go hard against the explosion of pork projects. The downside of hitting the projects hard is the bitter hostility it would generate on the Hill, on both sides of the aisle. We know from our line item veto experience that this hostility can be quite poisonous.

III. OPTIONS

As should be obvious from the above, no really good course of action presents itself. We have discussed, however, the alternatives presented below:

Option 1:

Take a hard fiscal discipline position: the bill will be vetoed outright because it includes excessive spending. Reject trust fund argument. We would cast the bill as a threat to education, health, the environment and crime reduction, detailing the likely impact on critical programs. We could reinforce the crowding out argument with a moral argument against wasteful spending as illustrated by the outrageous 1600 demonstrations.

Pros:
- Consistent and clear fiscal discipline message.
- Principled position, strong character.
- Consistent with Saving Social Security First.

Cons:
- Veto override defeat likely, draining future power.
- Puts in position of opposing Democrats, calling their projects pork.
- Trust fund argument is compelling on its face.

Option 1a

See if Gephardt, Bonior and Frost could be convinced to help us sustain the veto in the spirit of blowing up the highway bill as they want to blow up other pieces of sensitive legislation. This would increase our leverage, but it is unlikely to be successful.

We have already contacted the AFL to persuade them on the crowding out problem. They in turn have gone to the building trades. Although we are making some progress, it seems unlikely we can overcome the momentum of this bill.

Option 1b

Take a hard fiscal discipline stand, but don't repudiate trust fund argument, and, thereby, leave a possible escape hatch. This option would be similar to Option 1, but we would not go hard at the trust fund argument. While we would not initiate a possible mechanism, the idea would be to leave room for you to sign a bill if they were to come up with some trust fund proposal.

Pros:

- Possible way of getting highway spending without dramatically lowering caps while avoiding allowing them to use your words against your current position.

Cons:

- Would violate Saving Social Security First and could open door to tax cuts.

Option 2:

Take a hard fiscal discipline and squeezing priorities line, but work behind scenes to create a self-financing, on-budget Transportation Fund employing the revenues provided by the gasoline tax and funding surface transportation at levels very close to those in the House and Senate bills. This dedicated fund would be moved outside the discretionary spending caps, and the caps would be lowered only by amounts reflecting surface transportation spending patterns as they were in 1998--before the current highway bill.

Pros:

- Protects your priorities by solving the crowding-out problems by sustaining overall discretionary spending at essentially the levels agreed to in last year's budget.
- Avoids veto override defeat.

Cons:

- As mentioned above, agreeing to anything like this would likely be viewed as violating your Saving Social Security First pledge -- even without our active participation. While trying to engineer an immaculate conception of a self-financing mechanism would lessen the risk, it would be difficult to engineer and would potentially open the door to spending surpluses on tax cuts.
- Republicans may not agree to this because, for at least some of them, a reason to support additional highway spending is precisely to reduce other spending that we support.

Option 3:

Express some reservations about the bill's high level of spending, but sign it, praising it for meeting our unaddressed infrastructure needs in an environmentally sensitive way and with appropriate attention to the various transportation modes.

Pros:

- Avoids veto override defeat.
- Would emphasize the positive wins we did get out of the bill in terms of its mitigation funding, its investments in mass transit, its safety and health priorities and its protection

of the Disadvantage Business Enterprise program.

Cons:

- Priorities will not be protected and will be crowded out.
- This position would be viewed as disingenuous.

Option 4:

An incremental approach -- we would do all we could to improve the bill, then reluctantly sign it, vowing to continue to fight for our priorities in the Appropriations process.

We would continue to issue negative statements about the highway bill and the long-term investment squeeze it creates. Attempt to get OMB and Legislative Affairs as much involved in the conference as possible using veiled veto threats behind the scenes to enhance our leverage in our effort to improve the bill. We would use the intervening time between the Congress's return and the completion of the conference report to explain the budgetary consequences of the squeeze and make it clear that the whole process is heading towards a show-down about education on the Labor, Health and Human Services Bill and about the environment on the Veterans, HUD, Independent Agencies Bill this fall.

This is an incremental, realistic approach. Though there is relatively little room here for alleviating the cap compression, there is at least some hope that we might hold the spending level down.

Pros:

- Allows us room to shape each appropriations bill within the context of a strong education and environment communications strategy.
- Allows us to recognize the probability that events will change the entire context of budgeting in the near future. There is no certainty that the discretionary caps will stay where they are. New possibilities could emerge as well in the future debates about Social Security and Medicare.
- This final approach does the most to preserve positive relations with our friends in Congress. Certainly, a veto will alienate them. Incrementalism averts that. But in addition, the almost inevitable battles on appropriations bills in the fall generated by this option should please those Democrats who are seeking principled fights with the Republicans in an election year.

Cons:

- The outcome on the final spending on our priorities is unlikely to be satisfying.
- Open to criticism that you did not stand up for fiscal discipline.

Michael Deich
04/19/98 06:34:09 PM

Record Type: Record

To: Charles R. Marr/OPD/EOP

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

Subject: Comments on Sperling/Stein ISTEA memo

First, two disclaimers: (1) I haven't had a chance to talk about this with anyone at OMB; after I do so, I may repudiate everything that follows in this note; and (2) all of the numbers in this note are rough, back-of-the-envelope estimates that I made by eyeballing documents that I have at home -- I'm confident about the relative magnitudes but the point estimates will certainly change after David Worzala and his gang start to scrub them. That said:

At Friday's meeting Schenendorff said three things that strike me as relevant to the Sperling/Stein memo: he did not dispute that BESTEA would cost $34 billion; he characterized Shuster's 'core objective' as ensuring that spending equalled future trust fund receipts; and he thanked the Administration for not engaging in sharp public rhetoric. I took from his comments that Schenendorff now recognizes how difficult it would be to find new offsets to pay for all of the spending in BESTEA; that he could not count on a veto-proof level of support from Democrats if they understood the extent to which BESTEA would crowd out other Dem priorities; and that Schenendorff was signalling Shuster might be willing to declare victory with something less than a fully-funded BESTEA.

If Shuster is willing to compromise, the following formulation would allow all sides to declare victory: accept Shuster's "core objective" to have surface transportation (ST) spending equal receipts, but phase in the implementation of this objective so that significant costs are pushed beyond the budget window.

Under the President's Budget, discretionary ST spending as a percent of trust fund revenues falls from roughly 86 percent in '98 to 80 percent of receipts in '03. Adhering to the Presbud through '01 and then setting ST spending equal to 95 percent of receipts in '02 and 100 percent of receipts in '03 would **cost about $4 billion**. Alternately, we could increase spending to 88 percent of receipts in '99 and '00, 90 percent in '01, 95 percent in '02, and 100 percent in '03; total 6-yr cost compared to Presbud would be $8-9 billion. Finally, setting spending at 100 percent of receipts beginning in '99 would cost roughly $20 billion. (In addition to this $20 billion, the $34 billion price tag for BESTEA includes another $5 billion to begin "spending equal to receipts" in '98, and another $8.3 billion for mandatory demo projects. I doubt that we will be able to stop the demos; in addition to the funds for the discretionary side, we should assume that we'll need to find another $4-10 billion for mandatory demos, depending on whether the Senate succeeds in lowering or raising the total level of demos).

By accepting the principle of setting spending equal to receipts, we avoid an argument that will be difficult to win, and we allow Shuster/Congress to declare victory on their key objective. But by phasing-in the principle at a pace that could be sustained by offsets that the Administration can accept, we avoid spending the surplus and we minimize the damage to the President's other priorities.

To achieve this compromise, the Administration should pursue a variant of Option 3 in the current draft of the Sperling/Stein memo: take a hard line both in public and in private on fiscal discipline/crowding out, but also make clear from the start that we accept the trust fund argument and would like to work with the Congress to implement principle in a prudent, balanced fashion. Make clear that we will not spend the surplus, and that the President will veto any highway bill that phases-in 'spending equals receipts' so quickly that other important priorities are crowded out. By arguing not over whether we implement 'spending equals receipts,' but only over how quickly, we have a better chance to put Shuster on the defensive.

I note that even if this compromise ultimately were adopted, the final bill would be expensive, and we would have ugly appropriations fights in September. In an odd way, I think this gives most Dems another reason to support a veto of the full BESTEA: the compromise gives Democrats not only a way to be for all good things now (they can support both the trust fund argument -- responsibly phased-in, of course -- and other POTUS priorities), but also a guarantee that come September they will have huge fights with Republicans over priorities for funding non-highway programs.

I'll get back to you tomorrow with OMB's official word.

++++++

The mechanics of this approach I think would be as follows:

-- Authorize aggregate spending at the levels in BESTEA (including both mandatory and discretionary), but make demos discretionary and subject to an ob limit. Divide aggregate spending between highways and transit in proportions similar to those found in the Administration or Senate bills (rather than the highway-heavy proportions in the House bill).

-- Guarantee certain levels of ST spending by creating a new BEA category. Initially the ST spending cap would be set equal to the WODI baseline (roughly Presbud) for the entire period '99-'03, and the remaining discretionary caps would be lowered by an equal amount.

-- The final ST caps would then be increased by an amount equal to the offsets that were agreed to by the Administration and the Congress.

Message Copied To:

Franklin D. Raines/OMB/EOP
Jacob J. Lew/OMB/EOP
Joshua Gotbaum/OMB/EOP
Charles E. Kieffer/OMB/EOP
Lawrence J. Stein/WHO/EOP
Gene B. Sperling/OPD/EOP
Dorothy Robyn/OPD/EOP
Janet Himler/OMB/EOP
Jill M. Blickstein/OMB/EOP

THE WHITE HOUSE

WASHINGTON

April 19, 1998

MEMORANDUM FOR Erskine Bowles
Secretary Rubin
Director Raines
Chair Yellen
Ron Klain
Deputy Secretary Summers
Deputy Director Lew
John Podesta
Sylvia Mathews

FROM: Gene Sperling

SUBJECT: ISTEA Bill Memo to the President

Attached please find a memo to the President regarding the ISTEA Bill. The memo is from both Larry Stein and me. I know this is short notice, but because of Tuesday morning's meeting with the President on this subject please provide your comments as soon as possible to Chuck Marr. He can be reached at 456-5364 or paged at 757-5000. It would be helpful to have your comments on Sunday night, but Monday morning is also possible. I can also be reached thru the White House operator if you have any questions. Thanks

April 19, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN
GENE SPERLING

SUBJECT: ISTEA BILL

I. OVERVIEW

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The ultimate endpoint of the highway process is by no means clear. For example, it is uncertain whether the conference can get a majority of votes for all the offsets proposed in your budget, with the veterans tobacco offset (more than $10 billion over 5 years) presenting particular problems. In addition, the House bill contains approximately 1600 "demonstration" projects portioned out roughly 55% to 45% between Republicans and Democrats. The Senate bill contains none. Finally, the House bill contains provisions putting highway spending off budget, thereby allowing the "trust fund" (paid for with dedicated gas taxes) to finance transportation spending irrespective of budgetary rules or constraints. Any or all of these questions could cause a delay in the conference's progress or lost votes or both. Though it is unlikely that so sought-after a block of funds would be held up for long (especially given that the current extension of existing funding expires on May 1), there is some possibility that the bill will not come out of conference with the overwhelming level of support it had in both bodies--96-4 in the Senate and 337 to 80 in the House.

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II. KEY ISSUES

1. Squeezed Domestic Discretionary Priorities

The excessive spending in the Congressional bills pose a threat to your priorities. Cuts of the magnitude required to fund these bills out of discretionary would sharply stress virtually every program. If we assume the level of domestic discretionary funding in your budget (a level that is $60 billion in gross dollars above the discretionary caps), the highway bill would require a 2 percent outlay reduction in the other non-defense accounts and up to a 3.9 percent reduction in budget authority for fiscal year '99. Assuming the caps themselves as a point of reference, the '99 cut would be roughly half that, 1 percent in outlays and 2 percent in budget authority. Over 5 years, the cut from the level in your budget would be 5.5 percent in outlays and 6.7 percent in budget authority. And again, half that 5 year level of cut would apply if the assumed starting point is the existing caps.

A good public case about the crowding out effect can be made and would have the potential to erode support for the bill. Making a very strong public case along these lines, however, would make it more difficult to sign a bill that is likely to pass with overwhelming support.

2. Mandatory Offsets

To the extent that the effort to lower the excessive highway spending fails, additional highway spending must come out of other discretionary programs as described above, or from mandatory offsets or out of the surplus.

The Senate budget resolution reserves the mandatory offsets from your budget for highways. According to CBO, the Senate list raises $18.5 billion over five years. We obviously proposed these offsets to fund priorities other than highways. For example, your budget uses administrative reforms in the Food Stamp program to fund food stamps for legal immigrants.

Authorizing Committees in Congress will not easily let go of savings under their jurisdiction to fund a program, highways, that is outside their jurisdiction. However, the Republican leadership appears committed to reserving these funds for highways.

3. Highway Trust Fund

a. Level of Spending

In addition to the political pressure for a high spending level as described above, proponents will continue to make the case on the Highway Trust Fund -- that this money is raised from a dedicated source, the gas tax, and that it should be spent on its intended purpose. Many will find this argument compelling. We have a case to make in response: Contrary to conventional wisdom, spending from the trust fund has exceeded gas tax receipts over the life of the fund (up until 1996), but particularly in recent history (1980-1995). The current trust fund surplus is largely the result of accumulated compound interest on balances from the late 1960s and 1970s --balances reflecting deliberate federal efforts to control non-defense spending.

They will fight back saying that interest is part of the surplus, just as interest is part of the Social Security trust fund. Even if they concede the past, they will say just give us the gas tax money going forward. We would expect that their argument would include past statements you made as Governor in support of the trust fund argument

b. Relationship to Saving Social Security First

The Highway Trust Fund could likely become entangled with our argument on Saving Social Security First. Highway supporters could claim that their high spending levels are consistent with Saving Social Security First pledge -- because money owed from the Highway Trust should not be considered a legitimate part of the surplus.

On the one hand, allowing a self-financed transportation or highway account that was outside the caps could be a way of allowing the Congressionally desired amounts of highway spending without lowering the caps excessively and squeezing out other domestic priorities. On the other hand, many your advisors believe that budget experts will see this as surplus spending and that you could be sharply criticized for breaking a solemn pledge to reserve every penny of the surplus until there was a long-term Social Security fix.

4. Possible Veto

Given the excessive spending in the bill and the threat it poses to your priorities, a veto should be considered. Three veto formulations include:

1) Veto and Sustain -- If we were able to muster a veto sustaining margin in one house, it would give us powerful leverage over the final product. Such a course would have the virtue of putting Democrats on the side of fiscal responsibility and the Republicans on the side of spending tax dollars for pork. The problem is that, given the overwhelming votes, we are unlikely to lock in with certainty an override-proof margin.

2) Uncertain Veto -- We could veto in absence of having a certain sustaining coalition. This

would be risky and, if we lost, the issue of diminished effectiveness would likely be raised.

3) Symbolic Veto -- Your advisors have discussed, and are split, on the wisdom of a symbolic veto -- a veto in which you say you are taking a principled stand for fiscal discipline, while saying that you know you will not prevail. On the one hand, some of your advisors believe that any time a President loses on a veto the President is harmed. Others believe that a principled stand would be positively received as you would be standing up for fiscal discipline and responsibility.

6. Demonstration Projects -- Issue of Pork

The large number of projects in the House bill is an inviting target to elevate in the mind of the public. We could increase our chances of changing votes if we go hard against the explosion of pork projects. The downside of hitting the projects hard is the bitter hostility it would generate on the Hill, on both sides of the aisle. We know from our line item veto experience that this hostility can be quite poisonous.

III. OPTIONS

As should be obvious from the above, no really good course of action presents itself. We have discussed, however, the alternatives presented below:

Option 1:

Take a hard fiscal discipline position: the bill will be vetoed outright because it includes excessive spending. Reject trust fund argument. We would cast the bill as a threat to education, health, the environment and crime reduction, detailing the likely impact on critical programs. We could reinforce the crowding out argument with a moral argument against wasteful spending as illustrated by the outrageous 1600 demonstrations.

Pros:

- Consistent and clear fiscal discipline message.
- Principled position, strong character.
- Consistent with Saving Social Security First.

Cons:

- Veto override defeat likely, draining future power.
- Puts in position of opposing Democrats, calling their projects pork.
- Trust fund argument is compelling on its face.

Option 1a.

See if Gephardt, Bonior and Frost could be convinced to help us sustain the veto in the spirit of blowing up the highway bill as they want to blow up other pieces of sensitive legislation. This would increase our leverage, but it is unlikely to be successful.

We have already contacted the AFL to persuade them on the crowding out problem. They in turn have gone to the building trades. Although we are making some progress, it seems unlikely we can overcome the momentum of this bill.

Option 2

Take a hard fiscal discipline stand, but don't repudiate trust fund argument, and, thereby, leave a possible escape hatch. This option would be similar to Option 1, but we would not go hard at the trust fund argument. While we would not initiate a possible mechanism, the idea would be to leave room for you to sign a bill if they were to come up with some trust fund proposal.

Pros:

- Possible way of getting highway spending without dramatically lowering caps while avoiding allowing them to use your words against your current position.

Cons:

- Would violate Saving Social Security First and could open door to tax cuts.

Option 3:

Take a hard fiscal discipline and squeezing priorities line, but work behind scenes to create a self-financing, on-budget Transportation Fund employing the revenues provided by the gasoline tax and funding surface transportation at levels very close to those in the House and Senate bills. This dedicated fund would be moved outside the discretionary spending caps, and the caps would be lowered only by amounts reflecting surface transportation spending patterns as they were in 1998--before the current highway bill.

Pros:

- Protects your priorities by solving the crowding-out problems by sustaining overall discretionary spending at essentially the levels agreed to in last year's budget.
- Avoids veto override defeat.

Cons:

- As mentioned above, agreeing to anything like this could be viewed as violating your Saving Social Security First pledge -- even without our active participation. While trying to engineer an immaculate conception of a self-financing mechanism would lessen the risk, it would be difficult to engineer and would potentially open the door to spending surpluses on tax cuts.

Option 4:

Express some reservations about the bill's high level of spending, but sign it, praising it for meeting our unaddressed infrastructure needs in an environmentally sensitive way and with appropriate attention to the various transportation modes.

Pros:

- Avoids veto override defeat.
- Would emphasize the positive wins we did get out of the bill in terms of its mitigation funding, its investments in mass transit, its safety and health priorities and its protection of the Disadvantage Business Enterprise program.

Cons:

- Priorities will not be protected and will be crowded out.

Option 5:

An incremental approach -- we would do all we could to improve the bill, then reluctantly sign it, vowing to continue to fight for our priorities in the Appropriations process.

We would continue to issue negative statements about the highway bill and the long-term investment squeeze it creates. Attempt to get OMB and Legislative Affairs as much involved in the conference as possible using veiled veto threats behind the scenes to enhance our leverage in our effort to improve the bill.

We would use the intervening time between the Congress's return and the completion of the conference report to explain the budgetary consequences of the squeeze and make it clear that the whole process will culminate in a show-down about education on the Labor, Health and Human Services Bill and about the environment on the Veterans, HUD, Independent Agencies Bill this fall.

This is the incremental, realistic approach. Though there is relatively little room here for alleviating the cap compression, there is at least some hope that we might hold the spending level down.

Pros:

- Allows us room to shape each appropriations bill within the context of a strong education and environment communications strategy.
- Allows us to recognize the probability that events will change the entire context of budgeting in the near future. There is no certainty that the discretionary caps will stay where they are. New possibilities could emerge as well in the future debates about Social Security and Medicare.
- This final approach does the most to preserve positive relations with our friends in Congress. Certainly, a veto will alienate them. Incrementalism averts that. But in addition, the almost inevitable battles on appropriations bills in the fall generated by this option should please those Democrats who are seeking principled fights with the Republicans in an election year.

Cons:

- The outcome on the final spending on our priorities is unlikely to be satisfying.

Recommendation:

Key points from meeting with Jack Schenendorf and bipartsian staff of House Transportation Committee.

1) Numbers: Meeting was set up to get agreement on scoring numbers -- defining size of problem. Our position is that we are talking about $34 billion over 1998-2003, which is the difference between the House bill and the CBO freeze baseline, which is close to what we propose in our budget. They seem to be pretty much on same page in terms of the concept. They, however, contend that CBO overstates the cost of the bill. The issue was left that they would continue to work through with CBO and hopefully by some time next week, we would have a better sense of the number. Their estimates of how far they though CBO was off ranged from a couple of billion to $8-9 billion. While obviously uncertain, CBO generally is not easliy swayed. I would therefore be surprised if CBO ended up with a number far from their current estimate.

2) Overall Impression: My general impression of Shenendorf was that he was looking for a way out of this and it doesn't see on yet. My impression was that he is looking for a solution that not surprisingly guarantees them the money but he does not seem determined to lower caps. He seems to be looking for some creative outside discretionary solution.

Larry conveyed back, politely, our strong concerns vis-a-vis the caps and pointed out that unfortunately there are no easy solutions to this.

3) Upcoming Meeting: Larry requested a meeting between you, him, and Frank, Shuster, Chafee (and rankings) to get agreement on numbers. Shuster and Chafee are likely to meet mid-week, so your meeting would likely be mid- to late next week.

Additional Notes on Back and Forth:

-- Shuster's guy, Schenendorf, started out with open issues they have with CBO. They seem to not want to get charged for money flowing out of general fund. They argue that those programs may not get funded anyway. They care about the trust fund, highways. (Dorothy points out that we need to be on guard because what they don't care about we generally do).

-- On trust fund - Schenendorf said what they want is that future gas tax revenue go to highways. This would seem to make our trust fund counter argument more difficult because they could say, forget what happened in the past, we are not asking for the money in the fund now, we just want what should be ours in the future. (The problem is that this revenue stream is very close to the size of the bill, not coincidentally).

-- The issue of the scoring difference between OMB and CBO was discussed. OMB numbers are lower because generally OMB assumes spend-out over 8 years, while CBO assumes over 6 years.

-- More discussion on CBO. They contend CBO has inexplicably changed their numbers.

-- Larry tried to feel them out on lowering caps/mandatory offsets. Schenendorf's response was - we want to work with everybody, common ground, don't want vetoes, open to exploring different ways to secure their funds.

-- There was a baseline discussion. Apparently, up until two years ago, a bundle of small ISETEA projects were carried in the baseline on the mandatory side. They added up to about $1.2 billion a year. Apparently, the change was made because the individual projects were all below $50 million and therefore rules say not counted.

OMB is going to go back and think about this one because obviously we need to explore all avenues. The problem with this, even if it panned out, is that it is hard to argue that a baseline change can be used to pay for new spending.

-- Larry raised Senate opposition to off-budget.

-- Schenendorf said could be other ways not off-budget on mandatory side, also mentioned fire walls.

-- Schenendorf said Administration has been positive (seemed to send implicit signal let's work through this, don't blast us).

-- Discussion of mandatory offsets, difficulty in raising all of them. They asked for additional ideas, would we be willing to use ours. Larry responded to the effect that we have to see where this thing is going before offering to go along with anything. Reiterated President's position that this bill spends too much.

April 17, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN
GENE SPERLING

SUBJECT: ISTEA BILL

I. OVERVIEW

The highway bill now in conference spends approximately $34 billion in outlays above the surface transportation levels proposed in your budget submission. The intent of Congressmen Shuster and Oberstar is to fund that additional highway spending with the mandatory spending cuts proposed in your budget as offsets for your initiatives. If the mandatory offsets are insufficient, as they are likely to be, the Speaker has instructed the conferees to reduce the discretionary spending pot by the amounts needed to offset the rest of the bill. Coupled with the Senate-passed Budget Resolution's exclusive reservation of tobacco proceeds for Medicare Part A, the exorbitant highway funding levels will inevitably exert a crowding out effect on the already constrained pool of domestic discretionary resources.

The ultimate endpoint of the highway process is by no means clear. For example, it is uncertain whether the conference can get a majority of votes for all the offsets proposed in your budget, with the veterans tobacco offset (more than $10 billion over 5 years) presenting particular problems. In addition, the House bill contains approximately 1600 "demonstration" projects portioned out roughly 55% to 45% between Republicans and Democrats. The Senate bill contains none. Finally, the House bill contains provisions putting highway spending off budget, thereby allowing the "trust fund" (paid for with dedicated gas taxes) to finance transportation spending irrespective of budgetary rules or constraints. Any or all of these questions could cause a delay in the conference's progress or lost votes or both. Though it is unlikely that so sought-after a block of funds would be held up for long (especially given that the current extension of existing funding expires on May 1), there is some possibility that the bill will not come out of conference with the overwhelming level of support it had in both bodies--96-4 in the Senate and

337 to 80 in the House.

On the other hand, there is a high probability that the biggest public works bill in a decade will present us with veto proof majorities in both houses at the end of the day. The ISTEA debate in the early '90s devolved into a fight among the various regions of the country and between donor and donee states. During those years, bitter quarrels over distribution resulted in extensions and delays without appropriate modernization of the funding formula. Everyone suffered. The main reason that the bills have moved this year with near unanimity is that the formula fights have been overwhelmed by the sheer volume of cash. Each state has gotten at least 93 cents on the dollar and that fix has been available simply because the massive amount of money made it possible. In short, reducing the overall level of spending could well thrust both bodies back into another bitter formula fight--a situation that neither party will accept. The bottom line is that even if we were able to sustain a veto, you would ultimately be presented with a highway bill that spends very nearly as much money as this one will.

Our problem is both optical and real. The bill will harm our priorities now and in the future. Moreover, there are significant downsides to signing a bill that transparently overspends. On the other hand, one cannot deny the powerful pent up demand for transportation funding reinforced by the argument that the Highway Trust Fund, and its dedicated gas tax, are being misused. At the state level, the appetite for this bill is nearly overwhelming. Labor (Building Trades) will be vigorously activated against any attempt to slow it down. And members (Democrats and Republicans) will be incensed at any ascription of "pork" status to their projects, especially if it comes from the Oval Office.

II. KEY ISSUES

1. Squeezed Domestic Discretionary Priorities

The excessive spending in the Congressional bills pose a threat to your priorities. Cuts of the magnitude required to fund these bills out of discretionary would sharply stress virtually every program. If we assume the level of domestic discretionary funding in your budget (a level that is $60 billion in gross dollars above the discretionary caps), the highway bill would require a 2 percent outlay reduction in the other non-defense accounts and up to a 3.9 percent reduction in budget authority for fiscal year '99. Assuming the caps themselves as a point of reference, the '99 cut would be roughly half that, 1 percent in outlays and 2 percent in budget authority. Over 5 years, the cut from the level in your budget would be 5.5 percent in outlays and 6.7 percent in budget authority. And again, half that 5 year level of cut would apply if the assumed starting point is the existing caps.

A good public case about the crowding out effect can be made and would have the potential to erode support for the bill. Making a very strong public case along these lines, however, would make it more difficult to sign a bill that is likely to pass with overwhelming support.

2. Mandatory Offsets
To the extent that the effort to lower the excessive highway spending fails, additional highway spending must come out of other discretionary programs as described above, or from mandatory offsets or out of the surplus.

The Senate budget resolution reserves the mandatory offsets from your budget for highways. According to CBO, the Senate list raises $18.5 billion over five years. We obviously proposed these offsets to fund priorities other than highways. For example, your budget uses administrative reforms in the Food Stamp program to fund food stamps for legal immigrants. A bill moving through the Senate uses the offset for Food Stamps and other farm programs. This implies that they will have some difficulty achieving all of the mandatory savings for highways as the Senate budget resolution envisions. Authorizing Committees in Congress will not easily let go of savings under their jurisdiction to fund a program, highways, that is outside their jurisdiction.

3. Highway Trust Fund
a. Level of Spending
In addition to the political pressure for a high spending level as described above, proponents will continue to make the case on the Highway Trust Fund -- that this money is raised from a dedicated source, the gas tax, and that it should be spent on its intended purpose. Many will find this argument compelling. We have a case to make in response: Contrary to conventional wisdom, spending from the trust fund has exceeded gas tax receipts over the life of the fund (up until 1996), but particularly in recent history (1980-1995). The current trust fund surplus is largely the result of accumulated compound interest on balances from the late 1960s and 1970s --balances reflecting deliberate federal efforts to control non-defense spending. They ought not be the justification for excessive spending in the late 1990s.

They will fight back and would likely be willing to say, just give us the gas tax money going forward. We would expect that their argument would include past statements you made as Governor in support of the trust fund argument

b. Relationship to Saving Social Security First
This issue will become entwined with Saving Social Security First as some are likely to make the argument that spending money in the Highway Trust Fund does not amount to spending any surplus. They will contend that there is a balance in the fund in the form of Treasury securities. The balance declines as the money is spent and the (Treasury) debt obligations fall correspondingly. That is not spending any surplus they will argue.

This appears to offer the possibility of a way out of this difficult situation. They would get their money and we would protect our key discretionary priorities. It is, however, a risky possibility. The receipts that flowed into the trust funds, now being held in Treasury securities, have already be spent outside of highways. Going along with such an approach could be seen as breaking a solemn pledge on Saving Social Security First.

5. Possible Veto

Given the excessive spending in the bill and the threat it poses to your priorities, a veto should be considered. Three veto formulations include:

1) Veto and Sustain -- If we were able to muster a veto sustaining margin in one house, it would give us powerful leverage over the final product. Such a course would have the virtue of putting Democrats on the side of fiscal responsibility and the Republicans on the side of spending tax dollars for pork. The problem is that, given the overwhelming votes, we are unlikely to lock in with certainty an override-proof margin.

2) Uncertain Veto -- We could veto in absence of having a certain sustaining coalition. This would be risky and, if we lost, the issue of diminished effectiveness would likely be raised If we won, our priorities would be protected but there would be consequences on other issues.

3) Symbolic Veto -- Your advisors have discussed, and are split, on the wisdom of a symbolic veto -- we would take a principled stand for fiscal discipline with the open acknowledgment that we would not expect it to prevail. On the one hand, some of your advisors believe that any time a President loses on a veto the President is harmed. Others believe that a principled stand would be positively received as you would be standing up for fiscal discipline and responsibility.

6. Demonstration Projects -- Issue of Pork

The large number of projects in the House bill is an inviting target to elevate in the mind of the public. We could do well in attacks against these projects. The downside of hitting the projects hard is the hostility it would generate on the Hill, on both sides of the aisle. We know from our line item veto experience that this hostility can be quite poisoning.

III. Options

As should be obvious from the above, no really good course of action presents itself. We have discussed, however, the alternatives presented below:

Option 1:

Take a hard fiscal discipline position: the bill will be vetoed outright because it includes excessive spending. Reject trust fund argument. We would cast the bill as a threat to education, health, the environment and crime reduction, detailing the likely impact on critical programs. We could reinforce the crowding out argument with a moral argument against wasteful spending as illustrated by the outrageous 1600 demonstrations.

Pros:
- Consistent and clear fiscal discipline message.
- Principled position, strong character.
- Consistent with Saving Social Security First.

Cons:
- Veto override defeat likely, draining future power.
- Puts in position of opposing Democrats, calling their projects pork.
- Trust fund argument is compelling on its face.
- Arguably makes worst case more likely -- priorities will face squeeze.

Option 1a.
See if Gephardt, Bonior and Frost could be convinced to help us sustain the veto in the spirit of blowing up the highway bill as they want to blow up other pieces of sensitive legislation. This would increase our leverage, but it is unlikely to be successful.

Option 2
Take a hard fiscal discipline stand, but don't repudiate trust fund argument, and, thereby, leave a possible escape hatch. This option would be similar to Option 1, but we would not go hard at the trust fund argument. While we would not initiate a possible mechanism, the idea would be to leave room for you to sign a bill if they were to come up with some trust fund proposal.

Pros:
- Allows for a strong fiscal discipline message.
- Avoids setting ourselves up on trust funds with them using your words against your current position.

Cons:
- Would violate Saving Social Security First and could open door to tax cuts.

Option 3:
Work behind scenes to create a self-financing, on-budget Transportation Fund employing the revenues provided by the gasoline tax and funding surface transportation at levels very close to those in the House and Senate bills. This dedicated fund would be moved outside the discretionary spending caps, and the caps would be lowered only by amounts reflecting surface transportation spending patterns as they were in 1998--before the current highway bill.

Pros:

- Protects your priorities by solving the crowding-out problems by sustaining overall discretionary spending at essentially the levels agreed to in last year's budget.
- Avoids veto override defeat.

Cons:

- Unless it included a plausible offset, it would violate Saving Social Security First with our active participation. (Although we could attempt to encourage this outcome without our own active involvement, there is always the danger that it could be attributed to you. Such an immaculate conception would be difficult to engineer and would potentially open the door to spending surpluses on tax cuts).

Option 4:
Express some reservations about the bill's high level of spending, but sign it, praising it for meeting our unaddressed infrastructure needs in an environmentally sensitive way and with appropriate attention to the various transportation modes.

Pros:

- Avoids veto override defeat.
- Would emphasize the positive wins we did get out of the bill in terms of its mitigation funding, its investments in mass transit, its safety and health priorities and its protection of the Disadvantage Business Enterprise program.

Cons:

- Priorities will not be protected and will be crowded out.

Option 5:
Veto the bill as an expression of fiscal responsibility and in opposition to spending education dollars on highways, but state the veto as a fiscal protest rather than as an actual effort to defeat an over-ride.

Pros:

- This could be turned into a substantial public success. It would be a powerful expression of opposition to waste and would be interpreted (given that Shuster is a nearly perfect foil) as a vote against business as usual in Washington.

Cons:

- A "symbolic" veto could also be interpreted as an expression of ineffectualness. Charges of failing to back up talk with action could follow from the press.
- This strategy only deals with the optics of the issue and does nothing to alleviate the crowding out of discretionary dollars by highways.

Option 6:
Continue to issue negative statements about the highway bill and the long-term

investment squeeze it creates, attempt to get OMB and Legislative Affairs as much involved in the conference as possible using veiled veto threats behind the scenes to enhance our leverage. Our objective would be actually try to improve the bill. Use the intervening time between the Congress's return and the completion of the conference report to explain the budgetary consequences of the squeeze and make it clear that the whole process will culminate in a show-down about education on the Labor, Health and Human Services Bill and about the environment on the Veterans, HUD, Independent Agencies Bill this fall.

This is the incremental, realistic approach. Though there is relatively little room here for alleviating the cap compression, there is at least some hope that we might hold the spending level down. Moreover, this option allows us room to shape each appropriations bill within the context of a strong education and environment communications strategy. In addition, this option allows us to recognize the probability that events will change the entire context of budgeting in the near future. There is no certainty that the discretionary caps will stay where they are. New possibilities could emerge as well in the future debates about Social Security and Medicare.

Finally, this final approach does the most to preserve positive relations with our friends in Congress. Certainly, a veto will alienate them. Incrementalism averts that. But in addition, the almost inevitable battles on appropriations bills in the fall generated by this option should please those Democrats who are seeking principled fights with the Republicans in an election year.

Recommendation:
There is a slight chance that events, and the difficulty of constructing a paid-for bill, may allow us to pursue option 1A--Gephardt helping us with a veto and thereby pinning the irresponsible highway bill on Republicans. The presence of member projects is the target here, but because House Democrats have their projects too, this alternative is not highly likely to materialize. In the absence of this possibility, the majority of your advisors favor option #6, with the caveat that we should preserve our option to supplement it with the symbolic veto outlined in option #5. The two are consistent.

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Daily Report for Executives

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Regulation, Law & Economics

Transportation

Clinton Administration Planning Attacks On House, Senate ISTEA Bills' Funding

The Clinton administration is preparing to join congressional budget hawks in attacking the recently passed House and Senate transportation bills and may mount an effort to pare back the legislation by as much as $18 billion, according to state officials.

While the administration earlier expressed much support for the Senate's action in passing the $214 billion rewrite of the Intermodal Surface Transportation Efficiency Act, more recently the administration has been critical of that legislation as well as the $218 billion ISTEA bill passed by the House shortly before the start of the spring recess, officials said.

With lawmakers now set to return the week of April 20 to begin a conference on the ISTEA rewrite, the administration is expected to become more vocal in attacking the spending in the two bills and is likely to urge deep cuts in their authorization levels, according to the American Association of State Highway and Transportation Officials.

State officials said they learned of the administration's current stance during a recent meeting with Transportation Secretary Rodney Slater. Slater, who met with the Southeast Association of State Highway and Transportation Officials in Atlanta, "indicated that the administration would like to see some $18 billion trimmed from the highway and transit reauthorization legislation by conferees," according to AASHTO.

While so far the administration has not threatened a veto of an ISTEA bill that carries large funding increases, sharp attacks on the bill appear likely to add to the obstacles that face conferees as they attempt to finalize the reauthorization bill by early May. In addition to the higher funding levels, conferees also will try to establish a mechanism to ensure that the greater spending is realized in the annual appropriations--another item that has raised the concerns of the administration.

Although aides to House and Senate conferees met again April 15, so far little progress appears to have been made in resolving even minor differences in the two massive bills (HR 2400/S 1173). As a result, lawmakers will have to tackle many smaller items as well as the controversial funding issues raised by the bills, aides said.

Impact on Budget Agreement Cited

Slater recently met with state and local officials during a five-day, six-state tour of the Southeast. He met with SASHTO officials in Atlanta April 8, a DOT spokesman said, as part of a broader trip to emphasize the importance of a timely ISTEA reauthorization.

In announcing the trip, Slater said in a statement that while he found much to applaud in the two bills, the administration also has "serious concerns" about the funding levels. "[H]igher transportation spending must not squeeze out other critical investments, such as education, or undermine the fiscal discipline which is helping us to balance the budget," he said.

But AASHTO officials said Slater went further in the private meeting, saying he suggested the administration may propose cutting the authorizations back by as much as $18 billion.

State officials said that the administration may now be launching a "belated effort" to sway public opinion against the legislation because earlier it had fully expected that the Senate would remain within the limits of last year's balanced budget agreement. That agreement had allowed only small increases in highway and transit program spending over the next few years.

The DOT spokesman would not confirm that the administration will propose an $18 billion cut in the legislation's authorizations. However, he said, "obviously there continues to be concern within the administration on the potential for this to break the balanced budget agreement."

Besides the funding levels, the spokesman said the administration strongly opposes the House plan to take the Highway Trust Fund off budget.

"The House proposal to take the trust fund off budget is simply something that cannot go forward," the spokesman said.

Slater, he added, will be discussing strategy on the bill April 17 with Rep. James Oberstar (D-Minn), the ranking Democrat on the Transportation and Infrastructure Committee. For his part, Oberstar strongly supports the increased spending in HR 2400 as well as the off-budget language.

The administration's views on the bill also are expected to made clear when Slater addresses the ISTEA rewrite at the National Press Club April 23.

Governors' to Back Spending Increases

Should the administration propose a large cut in the two bills' funding, the move will stand in sharp contrast to the support President Clinton expressed for ISTEA spending increases when he met with the nation's governors in February.

For its part, the National Governors' Association now is readying communications of its own to the House and Senate conferees urging them to keep the higher funding levels and also create a permanent mechanism to ensure that annual spending on highways and transit reflects the gas tax revenues flowing into the trust fund.

According to staff, the NGA is currently preparing a letter to conferees that expresses support for the legislation's current funding levels.

"We're going to maintain the same position we've had for over a year," said Larry Magid, counsel to the NGA. "We continue to support the total funding in both bills, and we're going to urge that they keep a mechanism to ensure that spending keeps up with trust fund revenues."

An option to taking the trust fund off budget, Magid said, is to create some type of automatic mechanism to set annual obligations at a level that is equivalent to the gas tax revenue coming in each year.

Magid said the states are anxious to have legislation finalized soon, given that the short-term extension of ISTEA requires states to stop obligating construction monies on May 1.

Staff Side-By-Side Circulated

However, observers said they do not expect House and Senate conferees to finalize a bill by the May 1 cutoff. Although aides continue to meet on the legislation, so far few agreements have been reached, staffers said.

Although they exchanged offers aimed at resolving some of the minor differences between the two bills' highway title, aides to the House Transportation and Infrastructure Committee and the Senate Environment and Public Works Committee said April 15 they had no agreement on the items. And the larger issues involving funding have not been tackled, aides said.

But more progress was said to be occurring in separate meetings on the highway safety provisions of the bill. Those discussions involve the Transportation and Infrastructure Committee and the Senate Commerce, Science, and Transportation Committee.

While many aspects of the two bills are similar, the House and Senate still have many differences to reconcile. According to the 350-page, side-by-side analysis obtained by BNA April 15, the House and Senate have identified hundreds of differences that still must be addressed in the conference.

Copies of the side-by-side analysis prepared by the House and Senate authorizing committees is available for $55 from BNA Plus at (800) 452-7773, or, in Washington, D.C., at (202) 452-4323.

By Nancy Ognanovich

April 15, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN
GENE SPERLING

SUBJECT: ISTEA BILL

The highway bill now in conference spends approximately $34 billion in outlays above the surface transportation levels proposed in your budget submission. The intent of Congressmen Shuster and Oberstar is to fund that additional highway spending with the mandatory spending cuts proposed in your budget as offsets for your initiatives. If the mandatory offsets are insufficient, as they are likely to be, the Speaker has instructed the conferees to reduce the discretionary spending pot by the amounts needed to offset the rest of the bill. Coupled with the Senate-passed Budget Resolution's exclusive reservation of tobacco proceeds for Medicare Part A, the exorbitant highway funding levels will inevitably exert a crowding out effect on the already constrained pool of domestic discretionary resources.

If we assume the level of domestic discretionary funding in your budget (a level that is $60 billion in gross dollars above the discretionary caps), the highway bill would require a 2 percent outlay reduction in the other non-defense accounts and up to a 3.9 percent reduction in budget authority for fiscal year '99. Assuming the caps themselves as a point of reference, the '99 cut would be roughly half that, 1 percent in outlays and 2 percent in budget authority. Over 5 years, the cut from the level in your budget would be 5.5 percent in outlays and 6.7 percent in budget authority. And again, half that 5 year level of cut would apply if the assumed starting point is the existing caps.

The ultimate endpoint of the highway process is by no means clear. For example, it is uncertain whether the conference can get a majority of votes for all the offsets proposed in your budget, with the veterans tobacco offset (more than

$10 billion over 5 years) presenting particular problems. In addition, the House bill contains approximately 1600 "demonstration" projects portioned out roughly 55% to 45% between Republicans and Democrats. The Senate bill contains none. Finally, the House bill contains provisions putting highway spending off budget, thereby allowing the "trust fund" (paid for with dedicated gas taxes) to finance transportation spending irrespective of budgetary rules or constraints. Any or all of these questions could cause a delay in the conference's progress or lost votes or both. Though it is unlikely that so sought-after a block of funds would be held up for long (especially given that the current extension of existing funding expires on May 1), there is some possibility that the bill will not come out of conference with the overwhelming level of support it had in both bodies--96-4 in the Senate and 337 to 80 in the House.

On the other hand, there is a high probability that the biggest public works bill in a decade will present us with veto proof majorities in both houses at the end of the day. The ISTEA debate in the early '90s devolved into a fight among the various regions of the country and between donor and donee states. During those years, bitter quarrels over distribution resulted in extensions and delays without appropriate modernization of the funding formula. Everyone suffered. The main reason that the bills have moved this year with near unanimity is that the formula fights have been overwhelmed by the sheer volume of cash. Each state has gotten at least 93 cents on the dollar and that fix has been available simply because the massive amount of money made it possible. In short, reducing the overall level of spending could well thrust both bodies back into another bitter formula fight--a situation that neither party will accept. The bottom line is that even if we were able to sustain a veto, you would ultimately be presented with a highway bill that spends very nearly as much money as this one will.

None of this reduces the threat posed by the bill to your priorities. Cuts of the magnitude described above will sharply stress virtually every discretionary account. A good public case about the crowding out effect can be made and would have the potential to erode support for the bill. In addition, the demonstration projects subject members of both bodies to charges of waste, greed and fiscal irresponsibility. That such charges would be easily made and resentfully received is a gross understatement.

Our problem is both optical and real. The bill will harm our priorities now and in the future. Moreover, there are significant downsides to signing a bill that transparently overspends. On the other hand, one cannot deny the powerful pent up demand for transportation funding reinforced by the argument that the Highway Trust Fund, and its dedicated gas tax, are being misused. At the state level, the appetite for this bill is nearly overwhelming. Labor (Building Trades) will be vigorously activated against any attempt to slow it down. And members (Democrats and Republicans) will be incensed at any ascription of "pork" status to their projects, especially if it comes from the Oval Office.

Options:
As should be obvious from the above, no really good course of action presents itself. We have discussed, however, the five alternatives presented below:

Substitute draft options per GS comments (original below)

Option 1:
Take a hard fiscal discipline position: the bill will be vetoed outright because it includes excessive spending. Reject trust fund argument.

We would cast the bill as a threat to education, health, the environment and crime reduction, detailing the likely impact on critical programs. This approach would run headlong into the powerful "trust fund" argument--the contention that the gas tax is collected to build roads and should be allocated only to build roads. ~~Their~~ Shuster and his colleagues ~~response~~ will likely highlight your support while Governor for the trust fund argument.

Our response would be to confront directly the trust fund argument. We would point out that, contrary to conventional wisdom, highway spending historically has exceeded excise tax receipts. The trust fund balances stem from accumulated interest compounded since the 1960s through 1970s and do not justify excessive spending now.

In addition, to try and avoid ~~and~~ an almost certain override, we could reinforce the crowding out argument with a moral argument against wasteful spending as illustrated by the outrageous 1600 demonstrations. This last is a charge that would build powerful hostility in the House. All members, most of whom have already put out their releases taking credit for at least one project, would see attacks on the demos as direct assaults on their integrity.

Possible outcomes include:

A) They lower highway spending and you sign (Unlikely).

B) They pass with large spending numbers but include only authorizations for the spending, leaving the real fight to the annual appropriations process. While this would be a defeat for Shuster and others, this is possible because it requires lighter lifting than paying for all the spending. All things considered, this would be a good outcome for us.

C) They go off-budget with highways. We veto on grounds that it violates Saving Social Security First. We lose on veto override.

D) They pay for the bill through a combination of mandatory savings and carving out a portion of the discretionary cap for transportation (in effect, lowering of the discretionary caps for non-transportation spending). This is worst case in terms of your discretionary investment priorities. We veto and lose on veto override.

Pros:
- Consistent and clear fiscal discipline message.
- Principled position, strong character.
- Consistent with Saving Social Security First.

Cons:
- Veto override defeat likely, draining future power.
- Puts in position of opposing Democrats, calling their projects pork.
- Trust fund argument is compelling on its face.
- Arguably makes worst case more likely -- priorities will face squeeze.

Option 1a.
See if Gephardt, Bonior and Frost would help us sustain the veto in the spirit of blowing up the highway bill as they want to blow up other pieces of sensitive legislation.

This option casts the Republicans as fiscal hypocrites and charges them with intentionally trying to defund the necessary functions of government. It has the virtue of putting Democrats on the side of fiscal responsibility and the Republicans on the side of spending tax dollars for pork. The only problem with it is that Gephardt and Bonior have their projects in the bill. Moreover, they are both being swayed by Labor, and neither presently wants to stand in the way of this train.

Option 2
Take a hard fiscal discipline stand, but don't repudiate trust fund argument, and, thereby, leave a possible escape hatch.

This option would be similar to Option 1, but we would not go hard at the trust fund argument. While we would not initiate a possible mechanism, the idea would be to leave room for you to sign a bill if they were to come up with some trust fund proposal.

Pros:
- Allows for a strong fiscal discipline message.
- Avoids setting ourselves up on trust funds with them using your words against your current position.

Cons:
- Would violate Saving Social Security First and could open door to tax cuts.

Option 3:
Work behind scenes to create a self-financing, on-budget Transportation Fund employing the revenues provided by the gasoline tax and funding surface transportation at levels very close to those in the House and Senate bills.

This dedicated fund would be moved outside the discretionary spending caps, and the caps would be lowered only by amounts reflecting surface transportation spending patterns as they were in 1998--before the current highway bill.

Pros:
- Protects your priorities by solving the crowding-out problems by sustaining overall discretionary spending at essentially the levels agreed to in last year's budget.
- Avoids veto override defeat.

Cons:
- Violates Saving Social Security First with our active participation. (Although we could attempt to encourage this outcome without our own active involvement, there is always the danger that it could be attributed to you. Such an immaculate conception would be difficult to engineer and would potentially open the door to spending surpluses on tax cuts).

Option 4:
Express some reservations about the bill's high level of spending, but sign it, praising it for meeting our unaddressed infrastructure needs in an environmentally sensitive way and with appropriate attention to the various transportation modes.

Pros:
- Avoids veto override defeat.
- Would emphasize the positive wins we did get out of the bill in terms of its mitigation funding, its investments in mass transit, its safety and health priorities and its protection of the Disadvantage Business Enterprise program.

Cons:
- Priorities will not be protected and will be crowded out.

Option 5:
Veto the bill as an expression of fiscal responsibility and in opposition to spending education dollars on highways, but state the veto as a fiscal protest rather than as an actual effort to defeat an over-ride.

Pros:
- This could be turned into a substantial public success. It would be a powerful expression of opposition to waste and would be interpreted (given that Shuster is a nearly perfect foil) as a vote against business as usual in Washington.

Cons:
- A "symbolic" veto could also be interpreted as an expression of ineffectualness. Charges of failing to back up talk with action could follow from the press.
- This strategy only deals with the optics of the issue and does nothing to

alleviate the crowding out of discretionary dollars by highways.

Option 6:
Continue to issue negative statements about the highway bill and the long-term investment squeeze it creates, attempt to get OMB and Legislative Affairs as much involved in the conference as possible using veiled veto threats behind the scenes to enhance our leverage. Our objective would be actually try to improve the bill. Use the intervening time between the Congress's return and the completion of the conference report to explain the budgetary consequences of the squeeze and make it clear that the whole process will culminate in a show-down about education on the Labor, Health and Human Services Bill and about the environment on the Veterans, HUD, Independent Agencies Bill this fall.

This is the incremental, realistic approach. Though there is relatively little room here for alleviating the cap compression, there is at least some hope that we might hold the spending level down. Moreover, this option allows us room to shape each appropriations bill within the context of a strong education and environment communications strategy. In addition, this option allows us to recognize the probability that events will change the entire context of budgeting in the near future. There is no certainty that the discretionary caps will stay where they are. New possibilities could emerge as well in the future debates about Social Security and Medicare.

Finally, this final approach does the most to preserve positive relations with our friends in Congress. Certainly, a veto will alienate them. Incrementalism averts that. But in addition, the almost inevitable battles on appropriations bills in the fall generated by this option should please those Democrats who are seeking principled fights with the Republicans in an election year.

Recommendation:
There is a slight chance that events, and the difficulty of constructing a paid-for bill, may allow us to pursue option 1A--Gephardt helping us with a veto and thereby pinning the irresponsible highway bill on Republicans. The presence of member projects is the target here, but because House Democrats have their projects too, this alternative is not highly likely to materialize. In the absence of this possibility, the majority of your advisors favor option #6, with the caveat that we should preserve our option to supplement it with the symbolic veto outlined in option #5. The two are consistent.

Original Options:

1. Veto the bill outright casting it as excessive spending that threatens education, health, the environment and crime reduction. Fight to sustain the veto in the House.

This option is the most straightforward expression of our actual views and would be the most satisfying choice. It runs headlong into the powerful "trust fund" argument--the contention that the gas tax is collected to build roads and should be allocated only to build roads. It would result, almost certainly, in an override unless we choose to reinforce the crowding out argument with a moral argument against wasteful spending as illustrated by the outrageous 1600 demonstrations. This last is a charge that would build powerful hostility in the House. All members, most of whom have already put out their releases taking credit for at least one project, would see attacks on the demos as direct assaults on their integrity.

1A. A variant on #1. See if Gephardt, Bonior and Frost would help us sustain the veto in the spirit of blowing up the highway bill as they want to blow up other pieces of sensitive legislation.
This option casts the Republicans as fiscal hypocrites and charges them with intentionally trying to defund the necessary functions of government. It has the virtue of putting Democrats on the side of fiscal responsibility and the Republicans on the side of spending tax dollars for pork. The only problem with it is that Gephardt and Bonior have their projects in the bill. Moreover, they are both being swayed by Labor, and neither presently wants to stand in the way of this train.

2. Express some reservations about the bill's high level of spending, but sign it, praising it for meeting our unaddressed infrastructure needs in an environmentally sensitive way and with appropriate attention to the various transportation modes.

This option would emphasize the positive wins we did get out of the bill in terms of its mitigation funding, its investments in mass transit, its safety and health priorities and its protection of the Disadvantage Business Enterprise program. Such an approach would remain silent about the out-year squeeze we would suffer, however, and would appear to ignore disingenuously the huge block of demonstration projects. It would clearly subject us to charges of fiscal irresponsibility after you have been very successful in establishing the opposite.

3. Veto the bill as an expression of fiscal responsibility and in opposition to spending education dollars on highways, but state the veto as a fiscal protest rather than as an actual effort to defeat an over-ride.

This could be turned into a substantial public success. It would be a powerful expression of opposition to waste and would be interpreted (given that Shuster is a nearly perfect foil) as a vote against business as usual in Washington. The potential downside is that a "symbolic" veto could also be interpreted as an expression of ineffectuality. Charges of failing to back up talk with action could follow from the press. Moreover, this strategy only deals with the optics of the issue and does nothing to alleviate the crowding out of discretionary dollars by highways.

4. Create a self-financing, on-budget Transportation Fund employing the revenues provided by the gasoline tax and funding surface transportation at levels very close to those in the House and Senate bills. This dedicated fund would be moved outside the discretionary spending caps, and the caps would be lowered only by amounts reflecting surface transportation spending patterns as they were in 1998--before the current highway bill.

This approach would solve our crowding-out problems by sustaining overall discretionary spending at essentially the levels agreed to in last year's budget. Any growth in highways would be funded outside the caps. It would be justified on the highly credible ground that the gas tax is collected to fund surface transportation and ought to be used to fund surface transportation. In addition, you have already proposed a Transportation Fund in your budget submission, and an "off-budget" fund of this type is already included in the House version of the bill.

On the other hand, the spending over the amount of the cap reduction would not be offset and would therefore come out of the surplus. Since your powerful fiscal discipline profile is based in some measure on your stand against spending any of the surplus until Social Security is reformed, this option opens obvious vulnerabilities. Although we could attempt to encourage this outcome without our own active involvement, there is always the danger that it could be attributed to you. Such an immaculate conception would be difficult to engineer and would potentially open the door to spending surpluses on tax cuts.

5. Continue to issue negative statements about the highway bill and the long-term investment squeeze it creates, attempt to get OMB and Legislative Affairs as much involved in the conference as possible using veiled veto threats behind the scenes to enhance our leverage. Our objective would be actually try to improve the bill. Use the intervening time between the Congress's return and the completion of the conference report to explain the budgetary consequences of the squeeze and make it clear that the whole process will culminate in a show-down about education on the Labor, Health and Human Services Bill and about the environment on the Veterans, HUD, Independent Agencies Bill this fall.

This is the incremental, realistic approach. Though there is relatively little room here for alleviating the cap compression, there is at least some hope that we might hold the spending level down. Moreover, this option allows us room to shape each appropriations bill within the context of a strong education and environment communications strategy. In addition, this option allows us to recognize the probability that events will change the entire context of budgeting in the near future. There is no certainty that the discretionary caps will stay where they are. New possibilities could emerge as well in the future debates about Social Security and Medicare.

Finally, this final approach does the most to preserve positive relations with our friends in Congress. Certainly, a veto will alienate them. Incrementalism averts that. But in addition, the almost inevitable battles on appropriations bills in the fall generated by this option should please those Democrats who are seeking principled fights with the Republicans in an election year.

Recommendation:

There is a slight chance that events, and the difficulty of constructing a paid-for bill, may allow us to pursue option 1A--Gephard helping us with a veto and thereby pinning the irresponsible highway bill on Republicans. The pressence of member projects is the target here, but because House Democrats have their projects too, this alternative is not highly likely to materialize. In the absence of this possibility, the majority of your advisors favor option #5, with the caveat that we should preserve our option to supplement it with the symbolic veto outlined in option #3. The two are consistent.

04/14/98 15:02

FYI - please share w/others who may be interested

CC: Julie Anderson, DOT
Patricia Bravo, HHS
John Bohm, HUD
Dorothy Robyn, NEC
Jeff Forbes, WH congressional
Paul Weinstein
Cynthia Rice

UNITED STATES DEPARTMENT OF LABOR

FACSIMILE TRANSMISSION

OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS

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Washington, DC 20210

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Reply By Fax: 202-219-5736

TO: ANDREA KANE

ATTENTION:

FROM: STEVE HEYMAN / BEN BEACH

FACSIMILE NUMBER: 456-7431

NUMBER OF PAGES INCLUDING COVER: 3 Pages

MESSAGE:

THE SAME LETTER ALSO WENT TO LAUTENBERG AS RANKING DEM.

MOSELEY-BRAUN'S OFFICE COORDINATED THIS.

United States Senate

WASHINGTON, DC 20510

April 7, 1998

The Honorable Richard C. Shelby
Appropriations Subcommittee on Transportation
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

We urge you to provide $250 million in the fiscal year 1999 Transportation Appropriations bill to fund the Job Access and Reverse Commute Grants program authorized in the Intermodal Surface Transportation Efficiency Act of 1998, as passed by the Senate.

Too many welfare recipients and low-income individuals are isolated from potential job opportunities, because they do not own cars and because existing public transportation systems are either inadequate or non-existent. While three-fourths of welfare recipients live in rural areas or central cities, two-thirds of all new jobs are in the suburbs. Since 94 percent of welfare recipients do not have cars, and cars are out of reach for a large percentage of low-income individuals, they must rely on public transportation to get to these jobs. If the public transportation is inadequate, the jobs become inaccessible.

A number of studies have demonstrated that low-income residents of rural and urban areas alike are isolated from entry-level jobs for which they would otherwise qualify. According to the Community Transportation Association of America, 40 percent of rural counties have no public transportation services. Where transit does exist, it often does not operate on weekends or at night -- times when many entry-level jobs are performed.

The Job Access and Reverse Commute Grants program will help these communities fill the gaps in transit service that prevent welfare recipients from finding jobs, prevent many low-wage earners from finding and keeping jobs they need to remain self-sufficient, and prevent many inner-city and rural residents from getting to jobs in suburban areas. Thank you for your consideration of our request.

Sincerely,

Carol Moseley Braun Rick Santorum Arlen Specter

The Honorable Richard C. Shelby
April 7, 1998
Page Two

Option 1:

Veto the bill outright on the grounds of excessive spending. Reject the trust fund argument explicitly. Fight to sustain the veto in the House.

You would cast the bill as a threat to critical investments in people, citing the impact on programs to improve education, health, crime and the environment. This approach would run headlong into the powerful "trust fund" argument--namely, that there is an implicit promise that highway trust fund receipts will be used only for highways. Shuster and his colleagues may highlight your support while Governor for that argument.

You would challenge the trust fund argument directly in response: Contrary to conventional wisdom, spending from the trust fund has exceeded gas tax receipts over the life of the fund (up until 1996), but particularly in recent history (1980-1995). The current trust fund surplus is largely the result of accumulated compound interest on balances from the late 1960s and 1970s -- balances reflecting deliberate federal efforts to control non-defense spending. They ought not be the justification for excessive spending in the late 1990s.

In addition ....

Emil E. Parker
04/15/98 07:11:59 PM

Record Type: Record

To: Gene B. Sperling/OPD/EOP

cc: Melissa G. Green/OPD/EOP, Peter A. Weissman/OPD/EOP, Charles R. Marr/OPD/EOP, Dorothy Robyn/OPD/EOP

Subject: ISTEA strategy

I've been talking transportation informally with other members of your extremely talented staff. I am concerned that a "sign the bill and fight about education and the environment during the appropriations process" strategy could result in a severe squeeze for HHS and especially HUD programs.

As you know, there are a number of promising new HUD initiatives (welfare-to-work vouchers, enhanced fair housing enforcement funding, the Community Empowerment Fund/Economic Development Initiative, expansion of Youthbuild) in our FY 1999 budget -- not to mention the NRC "Play by the Rules" homeownership proposal. Valerie Baldwin, the House VA-HUD majority staffer, is already making dire noises regarding HUD's prospects in this year's appropriations process, due to the (presumably transportation-driven) funding crunch facing the VA-HUD Subcommittee. If we focus our efforts on funding for the environment, there is the possibility that we will prevail, but at the expense of virtually all new HUD initiatives.

Similarly, we have a number of priority items in the HHS budget, including a $305 million requested increase for Head Start. In addition, if Congress does not pass child care legislation this year, we may want to consider pressing for a substantial increase in discretionary CCDBG funding -- an option that would be largely precluded by signing the transportation bill and then focusing on education in the context of the Labor-HHS bill.

Education and the environment are unquestionably the more appealing battlegrounds from a political standpoint, but we need to be careful not to, in the process of pressing the Republicans on these fronts, sacrifice initiatives elsewhere in those appropriations bills.

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

	Enacted 1998	1999	2000	2001	2002	2003	6-Yr. Total
President's Request:							
Budget Authority	27,739	27,741	27,699	27,644	27,624	27,624	166,070
Outlays	26,276	27,099	27,540	27,674	27,843	27,937	164,369
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:							
Budget Authority	27,789	28,231	28,909	29,530	30,166	30,815	175,440
Outlays	26,447	27,347	28,232	28,788	29,457	30,040	170,311
HR 2400, BESTEA - OMB Scoring							
Budget Authority	30,292	34,825	38,763	38,710	38,273	38,888	219,751
Outlays	26,412	28,992	32,703	35,594	37,057	37,790	198,548
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	30,771	35,959	36,747	37,347	38,038	38,786	217,648
Outlays	26,244	29,037	33,096	35,271	36,692	37,843	198,183
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

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
Discretionary								
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
Mandatory								
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
Discretionary								
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
Mandatory								
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
Discretionary								
BA	1617	2194	2432	2391	2420	2463	13,517	6,743
Outlays	25252	28660	33022	35492	36703	37867	196,996	29,689
Mandatory								
BA	29671	33814	34285	34959	35573	36249	204,551	26,435
Outlays	1966	1752	1545	1226	1091	1011	8,591	104

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

HR 2400, BESTEA

	OMB Scoring	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	198,548	204,450	164,369	170,006	170,311	175,794

HR 2400 OMB Scoring
Less

	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	-5,902	34,179	28,542	28,237	22,754

HR 2400 CBO Scoring
Less

	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	40,081	34,444	34,139	28,656

S. 1173, ISTEA2

	OMB Scoring	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	198,183	205,587	164,369	170,006	170,311	175,794

S. 1173 OMB Scoring
Less

	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	-7,404	33,814	28,177	27,872	22,389

S. 1173 CBO Scoring
Less

President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
41,218	35,581	35,276	29,793

* CORRECTED COPY
Deadline has been change

Total Pages: ___

LRM ID: JAB417

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Tuesday, April 14, 1998

LEGISLATIVE REFERRAL MEMORANDUM

TO:	Legislative Liaison Officer - See Distribution below
FROM:	James J. Jukes (for) Assistant Director for Legislative Reference
OMB CONTACT:	James A. Brown
	PHONE: (202)395-3473 FAX: (202)395-3109
SUBJECT:	**INTERIOR; TREASURY PROPOSED REPORTS TO CONFEREES on HR2400 Building Efficient Surface Transportation and Equity Act of 1998**
* DEADLINE:	5:00 ~~Friday, April 17, 1998~~ Thursday, April 16, 1998

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: If we do not hear from you by the deadline, we will assume that you have no objection to clearance of either of these reports.

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54-HUD - Jeff Lischer - (202) 708-1793
61-JUSTICE - Andrew Fois - (202) 514-2141
62-LABOR - Robert A. Shapiro - (202) 219-8201
76-National Economic Council - Sonyia Matthews - (202) 45/6-2174
85-National Transportation Safety Board - Peter Goelz - (202) 314-6120
118-TREASURY - Richard S. Carro - (202) 622-0650

EOP:

David J. Worzala
Debra Bond
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Charles Konigsberg
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Kim C. Nakahara
Diane R. Montgomery
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Mark J. Schwartz
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Carline M Jelsma
Cheree D. Peterson
Peter Jacoby
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Rosemarie Dale
Pamula Simms
Ellen Balis
J C. Crutchfield
Mark A. Weatherly
Ronald M. Cogswell
Paul Bugg
Rich Kodl
Randy Lyon
Mary C. Barth
Carole Kitti
Janet E. Irwin
~~Ellen J. Balis~~
~~Edward H. Clarke~~
Linda Lance
Edward R. Clark
Louisa Koch
Winifred Y. Chang
Courtney B. Timberlake

LRM ID: JAB417 **SUBJECT:** INTERIOR; TREASURY PROPOSED REPORTS TO CONFEREES on HR2400 Building Efficient Surface Transportation and Equity Act of 1998

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: James A. Brown Phone: 395-3473 Fax: 395-3109
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-3454

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _______

_____ Other: ______________________

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

Treasury

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

Dear Chairman Shuster:

I am writing to express the Administration's views on Federal credit provisions included in the Transportation Infrastructure Finance and Innovation Act of 1997 (TIFIA), which is part of the Senate-approved version of the Intermodal Surface Transportation Efficiency Act of 1997. Similar credit provisions were excluded from H.R. 2400, the Building Efficient Surface Transportation and Equity Act, as passed by the House. The Administration strongly opposes the TIFIA credit provisions in the Senate bill and recommends their exclusion from the final legislation.

The proposed provisions in TIFIA permit (1) the subordination of Federal loans; and (2) direct and indirect Federal guarantees of tax-exempt obligations. Such financing practices are contrary to long-standing Federal credit policies. As a result, they put the Federal government at undue financial risk, and discount potentially significant long-term costs to the Federal government and to taxpayers. Moreover, the proposed credit provisions could become a bad precedent for other Federal credit programs.

More specifically, the credit provisions in TIFIA would permit the Federal loans to have a subordinate lien on the project revenues that secure the loans. The credit provisions would also allow the Secretary of Transportation to defer repayments on the Federal loans for up to ten years if project revenues were insufficient to simultaneously repay investors and the government. The deferment provision would place our loans, both principal and interest, in jeopardy during the time that transportation construction projects are most at risk. This would increase the Government's exposure to loss.

In addition, the TIFIA credit provisions would allow tax-exempt project financing to be Federally guaranteed, and would also permit Federal lines-of-credit to be used to pay debt service on such financing, thereby providing a direct Federal guarantee of tax-exempt obligations. Under existing Federal tax law and Federal financing policies, direct or indirect Federal guarantees of tax-exempt obligations are prohibited. Such guarantees are generally an inefficient way of allocating Federal subsidies. Federally guaranteed tax-exempt obligations could compete directly with Treasury securities, thereby increasing Federal borrowing costs.

Our concerns about the TIFIA credit provisions cannot be effectively addressed through budget scoring. The proposed Credit Reform subsidy cost appropriation of $530 million and annual financing fees would not fully capture all of the costs of the proposed program to the Federal government. Based on my long experience with financial markets, I would expect that, in order to compensate for attendant risk, subordinated financing such as that contemplated in TIFIA, would require a significantly higher yield than is presently proposed.

We look forward to working with you to address Treasury's concerns about this piece of the overall legislation. The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely,

Robert E. Rubin

Interior

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

Honorable Bud Shuster
Chairman, Committee on
Transportation and Infrastructure
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairmen:

As you approach a conference on the important surface transportation legislation in the 105th Congress, S.1173 and H.R. 2400, this letter is to express certain interests and concerns of this Department about these bills. Our concerns relate to the Federal lands highway provisions as well as the Wallop - Breaux program provisions in the bill.

Funding

With respect to funding for Federal lands highways, we favor the Senate provisions over those in the House bill.

Section 1115

In the Statement of Administration Policy on S. 1173 last October 8, the Administration recommended deletion of section 1115, which would unnecessarily expand Federal Lands Program eligibility to include non-federal aid eligible roads. We continue to recommend deletion of this section, for this and other reasons.

Section 1115 would create a new federal program, called the Cooperative Federal Lands Transportation Program. Under this program -- for which $74 million would be appropriated for the remainder of Fiscal Year 1998 -- the Secretary of Transportation would be authorized to provide money directly to States and counties for projects on highways "owned or maintained" by States or counties and that "cross, are adjacent to, or lead to federally owned land or Indian reservations." Section 1115 further provides for the States to submit applications to the Secretary of Transportation, and for the Secretary of Transportation to select the projects to be awarded funds under the program.

We are particularly concerned that section 1115 provides no role for the Secretary of the Interior on applications by States seeking funds for highway projects within the external boundaries of units of the National Park System, National Wildlife Refuge System, Indian lands, and lands managed by the Bureau of Land Management (or for the Secretaries of Agriculture and Defense regarding projects crossing lands within their jurisdiction). Without participation by Interior in the assessment of applications and selection of state and county projects to receive funds under this program, projects could be developed and federal funds awarded to highway projects that cross federal lands and are incompatible or inconsistent with the Interior agencies' management plans for those lands. Congress' creation of a program providing for direct grants of federal funds from the Secretary of Transportation directly to States and counties could undermine the Secretary of the Interior's authority to manage lands within his jurisdiction in conformity with federal statutory and regulatory mandates.

Further, section 1115 does not explicitly incorporate section 4(f) of the Transportation Act, 49 U.S.C. § 303(c), which prohibits the Secretary of Transportation from approving federal transportation projects and programs that use "publicly owned land of a public park, recreation area, or wildlife and waterfowl refuge of national, State or local significance" unless there is no "feasible and prudent alternative." Courts have interpreted section 4(f) to apply to any transportation project that receives federal funds. Because section 1115 explicitly provides federal funds for highway projects within and adjacent to parks, refuges, and other federal lands, we are concerned that courts may interpret the provision as creating an exception to section 4(f). Moreover, section 4(f) has not previously been applied to highway projects across BLM lands; thus, even if 4(f) were to apply to projects funded under the provisions in section 1115, BLM lands would be at risk.

Thus, we continue to strongly recommend deletion of section 1115 from the final ISTEA bill.

In addition, failing deletion, we strongly recommend the following:

- Add language in the new section 207(a) of title 23, established by section 1115, requiring concurrence by the Secretaries of Interior, Agriculture and Defense in programs affecting their lands; we suggest adding in section 207 (a), after the words "...selected by the Secretary ", the words "with the concurrence of the Secretary of the agency managing the affected Federal lands."

- Add language to section 207 (a), at the end, to explicitly provide: "Section 4(f) of the Transportation Act., 49 U.S.C. §303(c) shall apply to projects funded under this program."

- Delete the word "cross" from the new code section 207(a) in section 1115, so that the program would provide funds only for highways leading to federal lands.

Section 1106

Section 1106 makes revisions to the Federal Lands Highways program. In particular, section 1106 (c) includes provisions for greater consistency with the metropolitan and statewide planning processes. This language is very similar to language proposed by the Administration last year. We fully support these provisions and their purpose. However, on further consideration, we believe it is possible the language might be interpreted by some to override provisions of Title XI of the Alaska

National Interest Lands Conservation Act (ANILCA), which govern access into and across conservation system units. It was not the intention of the Administration in proposing language similar to section 1106 last year, and we do not believe it was the intention of the drafters of section 1106, to create any inconsistency with or override of Title XI; however to protect against any such interpretation in the future, we strongly recommend that S. 1173 be amended to add a new subsection (d) to section 1106 as follows:

(d) Chapter 2 of title 23, United States Code, is amended by inserting after section 218 the following: "¶ 219. Nothing in this Title shall he construed to amend, alter, change, or override Title XI of the Alaska National Interest Lands Conservation Act."

A similar amendment could be made to H.R. 2400 by adding a new subsection (f) to section 117.

Wallop-Breaux Amendments

The Department strongly supports improvements to the Wallop-Breaux program provided by Title III (Subtitle F) of S. 1173, and the extension of the direct deposit into the Aquatic Resources Trust Fund of the gasoline fuel taxes attributable to outboard motors and small engines. This program is one of the Nation's most successful user-pays, user-benefits programs. Through their user fees in the form of excise taxes, anglers and boaters provide funds to the States to help address fisheries and aquatic habitat restoration projects, boating access and safety programs, wetlands projects, and aquatic resources education programs for our citizens. We believe the proposed changes build on the success of this program and provide needed improvements.

The Department also strongly supports Section 1104(a)(1) of H.R. 2400 which directs to the Highway Trust Fund that portion of the 4.3 cents per gallon and 2.5 cents per gallon of gasoline taxes attributable to outboard motors and small engines. These funds were previously directed to the General Fund and could not be used to address significant aquatic resources needs. Once these funds are deposited into the Highway Trust Fund, they will flow into the Aquatic Resources Trust Fund and be used for sport fish restoration and boating safety projects benefiting the 50 million anglers and 76 million boaters who go fishing and boating each year and who pay these user fees in the form of excise taxes.

We strongly recommend that the Conference Committee adopt these positions for the final bill.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

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April 6, 1998

MEMORANDUM FOR GENE SPERLING

FROM: Dorothy Robyn

SUBJ: Responses to the "HTF-is-for-Highways" Argument

Proponents of higher spending on surface transportation argue that federal budget decisions, by restricting outlays from the Highway Trust Fund (HTF) in order to lower the deficit, have broken an implicit agreement that tax receipts would be fully used for highway and related expenses. The House and Senate ISTEA bills, in their view, serve to mend this agreement. This memo summarizes two responses -- the second more controversial than the first -- to this argument.

Response #1: Outlays have Exceeded Receipts

A March 23 briefing paper from the House Budget Committee Democratic Caucus provides some little known information about HTF account balances, which are a major justification for raising transportation spending. Contrary to popular belief, the HTF surplus -- currently about $23 billion ($13 billion from highways, $10 billion from transit) does not result from years of tax receipts exceeding outlays. In fact, from the HTF's inception in 1956 through 1995, total outlays from the fund exceeded excise tax receipts by $6.3 billion. Moreover, from 1980 through 1995, outlays outpaced tax receipts by an even greater $14.2 billion.

The HTF surplus exists largely because of a build-up of account balances in the late 1960s through the 1970s, which have continued earning compound interest to this day, even though spending has usually exceeded tax receipts. These balances -- largely the result of deliberate efforts by the Johnson and Nixon Administrations to control spending on certain non-defense programs -- increased the HTF surplus from $243 million at the end of 1966 to $12.6 billion at the end of 1979, a level not reached again until 1997.

From 1980 through 1995, highways fared particularly well, with outlays from the highway account of the HTF exceeding comparable receipts by $18 billion and exceeding total revenues (highway account receipts plus interest) by $3.1 billion. (If transit is included, HTF outlays from 1980 through 1995 fell short of total fund revenues by $6.4 billion.) The HTF account balance fell sharply in 1980 and 1981 but began growing again in 1983, due largely to increasing balances in the transit account.[1]

[1]Although the transit account was not created until 1983, outlays through 1995 fell short of tax receipts by $3.8 billion and by receipts plus interest by $9.6 billion. For the highway account only, outlays from 1956 through 1995 exceeded tax receipts by $10.1 billion but fell short of receipts plus interest by $9.4 billion.

Since 1995, HTF balances have begun to grow more quickly: OBRA93 extended a 2.5 cents per gallon excise tax instituted by OBRA90 but transferred it from the general fund to the HTF effective Oct. 1, 1995. That marked a significant departure, because it shifted money that had not been considered as part of the regular surface transportation authorization. Similarly, the Taxpayer Relief Act of 1997 included a provision to transfer to the HTF the 4.3 cents per gallon excise tax that OBRA93 dedicated to the general fund for deficit reduction.

Despite the growing size of these balances, both the House and Senate ISTEA reauthorization bills would fund surface transportation at (contract authority) levels that far exceed projections for HTF tax receipts over the next six years, and they even exceed projections for tax receipts plus interest: The House bill provides for $219 billion in contract authority over six years and the Senate for $217 billion. But projected excise tax receipts are only $201 billion; receipts plus interest will total about $215 billion. (These claims don't hold if one substitutes outlays for contract authority. Six-year outlays are $203 for the House bill and $201 for the Senate bill.)

Response #2: The General Fund has Spent Money on Highways

The "HTF-is-for-highways" argument conveniently ignores federal spending on highways that has been paid for from the general fund. In response to a request from Sen. Chafee, GAO on February 6 released a report stating that from FY57 through FY96, general fund highway expenses totaled $39.3 billion. Moreover, according to GAO, had those funds come out of the HTF and the fund been charged interest on its negative balance, the HTF would have a huge deficit :

> If these expenses [$39.3 billion] had been paid through the highway account of the Highway Trust Fund, the interest that would not have been earned by the highway account or would have been due to the General Fund of the U.S. Treasury would have totaled $124.9 billion. Together, General Fund highway expenses and interest not earned by the highway account or due to the General Fund would have totaled $164.2 billion. If this amount were deducted from the actual fiscal year 1996 highway account balance of $11.6 billion, the highway account balance reflecting the impact of not paying any highway expenditures from the General Fund would have been a negative $152.7 billion.

GAO's figures have been criticized as artificial, in that Congress would have increased revenues or reduced authorizations to prevent such a shortfall from actually occurring. There is also some disagreement about how GAO defines a highway expenditure. But, even granting critics the first point, GAO's report suggests that total transportation funding -- including both trust fund and general fund spending -- has significantly exceeded fuel tax revenues plus interest.

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April 14, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN
GENE SPERLING

SUBJECT: ISTEA BILL

The highway bill now in conference spends approximately $33.4 billion in outlays above the surface transportation levels proposed in your budget submission. The intent of Congressmen Shuster and Oberstar is to fund that additional highway spending with the mandatory spending cuts proposed in your budget as offsets for your initiatives. If the mandatory offsets are insufficient, as they are likely to be, the Speaker has instructed the conferees to reduce the discretionary spending pot by the amounts needed to offset the rest of the bill. Coupled with the Senate-passed Budget Resolution's exclusive reservation of tobacco proceeds for Medicare Part A, the exorbitant highway funding levels will inevitably exert a crowding out effect on the already constrained pool of domestic discretionary resources.

If we assume the level of domestic discretionary funding in your budget (a level that is $60 billion in gross dollars above the discretionary caps), the highway bill would require a 2 percent outlay reduction in the other non-defense accounts and up to a 3.9 percent reduction in budget authority for fiscal year '99. Assuming the caps themselves as a point of reference, the '99 cut would be roughly half that, 1 percent in outlays and 2 percent in budget authority. Over 5 years, the cut from the level in your budget would be 5.5 percent in outlays and 6.7 percent in budget authority. And again, half that 5 year level of cut would apply if the assumed starting point is the existing caps.

The ultimate endpoint of the highway process is by no means clear. For example, it is uncertain whether the conference can get a majority of votes for all the offsets proposed in your budget, with the veterans tobacco offset (more than $10 billion over 5 years) presenting particular problems. In addition, the House bill contains approximately 1600 "demonstration" projects portioned out roughly 55% to 45% between Republicans and Democrats. The Senate bill contains none. Finally, the House bill contains provisions putting highway spending off budget, thereby allowing the "trust fund" (paid for with dedicated gas taxes) to finance transportation spending irrespective of budgetary rules or constraints. Any or all of these questions could cause a delay in the conference's progress or lost votes or both. Though it is unlikely that so sought-after a block of funds would be held up for long (especially given that the current extension of existing funding expires on May 1), there is some possibility that the bill will not come out of conference with the overwhelming level of support it had in both bodies--

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96-4 in the Senate and 337 to 80 in the House.

On the other hand, there is a high probability that the biggest public works bill in a decade will present us with veto proof majorities in both houses at the end of the day. The ISTEA debate in the early '90s devolved into a fight among the various regions of the country and between donor and donee states. During those years, bitter quarrels over distribution resulted in extensions and delays without appropriate modernization of the funding formula. Everyone suffered. The main reason that the bills have moved this year with near unanimity is that the formula fights have been overwhelmed by the sheer volume of cash. Each state has gotten at least 93 cents on the dollar and that fix has been available simply because the massive amount of money made it possible. In short, reducing the overall level of spending could well thrust both bodies back into another bitter formula fight--a situation that neither party will accept. The bottom line is that even if we were able to sustain a veto, you would ultimately be presented with a highway bill that spends very nearly as much money as this one will. might

None of this reduces the threat posed by the bill to your priorities. Cuts of the magnitude described above will sharply stress virtually every discretionary account. A good public case about the crowding out effect can be made and would have the potential to erode support for the bill. In addition, the demonstration projects subject members of both bodies to charges of waste, greed and fiscal irresponsibility. That such charges would be easily made and resentfully received is a gross understatement.

Our problem is both optical and real. The bill will harm our priorities now and in the future. Moreover, there are significant downsides to signing a bill that transparently overspends. On the other hand, one cannot deny the powerful pent up demand for transportation funding reinforced by the argument that the Highway Trust Fund, and its dedicated gas tax, are being misused. At the state level, the appetite for this bill is nearly overwhelming. Labor (Building Trades) will be vigorously activated against any attempt to slow it down. And members (Democrats and Republicans) will be incensed at any ascription of "pork" status to their projects, especially if it comes from the Oval Office.

Options:

As should be obvious from the above, no really good course of action presents itself. We have discussed, however, the five alternatives presented below:

1. Veto the bill outright casting it as excessive spending that threatens education, health, the environment and crime reduction. Fight to sustain the veto in the House.

This option is the most straightforward expression of our actual views and would be the most satisfying choice. It runs headlong into the powerful "trust fund" argument--the contention that the gas tax is collected to build roads and should be allocated only to build roads. It would result, almost certainly, in an override unless we choose to reinforce the crowding out argument with a moral argument against wasteful spending as illustrated by the outrageous 1600 demonstrations. This last is a charge that would build powerful hostility in the House. All

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members, most of whom have already put out their releases taking credit for at least one project, would see attacks on the demos as direct assaults on their integrity.

1A. A variant on #1. See if Gephardt, Bonior and Frost would help us sustain the veto in the spirit of blowing up the highway bill as they want to blow up other pieces of sensitive legislation.

This option casts the Republicans as fiscal hypocrites and charges them with intentionally trying to defund the necessary functions of government. It has the virtue of putting Democrats on the side of fiscal responsibility and the Republicans on the side of spending tax dollars for pork. The only problem with it is that Gephardt and Bonior have their projects in the bill. Moreover, they are both being swayed by Labor, and neither presently wants to stand in the way of this train.

2. Express some reservations about the bill's high level of spending, but sign it, praising it for meeting our unaddressed infrastructure needs in an environmentally sensitive way and with appropriate attention to the various transportation modes.

This option would emphasize the positive wins we did get out of the bill in terms of its mitigation funding, its investments in mass transit, its safety and health priorities and its protection of the Disadvantage Business Enterprise program. Such an approach would remain silent about the out-year squeeze we would suffer, however, and would appear to ignore disingenuously the huge block of demonstration projects. It would clearly subject us to charges of fiscal irresponsibility after you have been very successful in establishing the opposite.

3. Veto the bill as an expression of fiscal responsibility and in opposition to spending education dollars on highways, but state the veto as a fiscal protest rather than as an actual effort to defeat an over-ride.

This could be turned into a substantial public success. It would be a powerful expression of opposition to waste and would be interpreted (given that Shuster is a nearly perfect foil) as a vote against business as usual in Washington. The potential downside is that a "symbolic" veto could also be interpreted as an expression of ineffectuality. Charges of failing to back up talk with action could follow from the press. Moreover, this strategy only deals with the optics of the issue and does nothing to alleviate the crowding out of discretionary dollars by highways.

4. Create a self-financing, on-budget Transportation Fund employing the revenues provided by the gasoline tax and funding surface transportation at levels very close to those in the House and Senate bills. This dedicated fund would be moved outside the discretionary spending caps, and the caps would be lowered only by amounts reflecting surface transportation spending patterns as they were in 1998--before the current highway bill.

This approach would solve our crowding-out problems by sustaining overall discretionary spending at essentially the levels agreed to in last year's budget. Any growth in highways would be funded outside the caps. It would be justified on the highly credible ground that the gas tax is collected to fund surface transportation and ought to be used to fund surface transportation. In addition, you have already proposed a Transportation Fund in your budget submission, and an

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"off-budget" fund of this type is already included in the House version of the bill.

On the other hand, the spending over the amount of the cap reduction would not be offset and would therefore come out of the surplus. Since your powerful fiscal discipline profile is based in some measure on your stand against spending any of the surplus until Social Security is reformed, this option opens obvious vulnerabilities. Although we could attempt to encourage this outcome without our own active involvement, there is always the danger that it could be attributed to you. Such an immaculate conception would be difficult to engineer and would potentially open the door to spending surpluses on tax cuts.

5. Continue to issue negative statements about the highway bill and the long-term investment squeeze it creates, attempt to get OMB and Legislative Affairs as much involved in the conference as possible using veiled veto threats behind the scenes to enhance our leverage. Our objective would be actually try to improve the bill. Use the intervening time between the Congress's return and the completion of the conference report to explain the budgetary consequences of the squeeze and make it clear that the whole process will culminate in a show-down about education on the Labor, Health and Human Services Bill and about the environment on the Veterans, HUD, Independent Agencies Bill this fall.

This is the incremental, realistic approach. Though there is relatively little room here for alleviating the cap compression, there is at least some hope that we might hold the spending level down. Moreover, this option allows us room to shape each appropriations bill within the context of a strong education and environment communications strategy. In addition, this option allows us to recognize the probability that events will change the entire context of budgeting in the near future. There is no certainty that the discretionary caps will stay where they are. New possibilities could emerge as well in the future debates about Social Security and Medicare.

Finally, this final approach does the most to preserve positive relations with our friends in Congress. Certainly, a veto will alienate them. Incrementalism averts that. But in addition, the almost inevitable battles on appropriations bills in the fall generated by this option should please those Democrats who are seeking principled fights with the Republicans in an election year.

Recommendation:

There is a slight chance that events, and the difficulty of constructing a paid-for bill, may allow us to pursue option 1A--Gephard helping us with a veto and thereby pinning the irresponsible highway bill on Republicans. The pressence of member projects is the target here, but because House Democrats have their projects too, this alternative is not highly likely to materialize. In the absence of this possibility, the majority of your advisors favor option #5, with the caveat that we should preserve our option to supplement it with the symbolic veto outlined in option #3. The two are consistent.

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

	Enacted 1998	1999	2000	2001	2002	2003	6-Yr. Total
President's Request:							
Budget Authority	27,739	27,741	27,699	27,644	27,624	27,624	166,070
Outlays	26,276	27,099	27,540	27,674	27,843	27,937	164,369
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:							
Budget Authority	27,789	28,231	28,909	29,530	30,166	30,815	175,440
Outlays	26,447	27,347	28,232	28,788	29,457	30,040	170,311
HR 2400, BESTEA - OMB Scoring							
Budget Authority	30,292	34,825	38,763	38,710	38,273	38,888	219,751
Outlays	26,412	28,992	32,703	35,594	37,057	37,790	198,548
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	30,771	35,959	36,747	37,347	38,038	38,786	217,648
Outlays	26,244	29,037	33,096	35,271	36,692	37,843	198,183
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

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
Discretionary								
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
Mandatory								
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
Discretionary								
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
Mandatory								
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
Discretionary								
BA	1617	2194	2432	2391	2420	2463	13,517	6,743
Outlays	25252	28660	33022	35492	36703	37867	196,996	29,689
Mandatory								
BA	29671	33814	34285	34959	35573	36249	204,551	26,435
Outlays	1966	1752	1545	1226	1091	1011	8,591	104

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

HR 2400, BESTEA

	OMB Scoring	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	198,548	204,450	164,369	170,006	170,311	175,794

HR 2400 OMB Scoring Less

	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	-5,902	34,179	28,542	28,237	22,754

HR 2400 CBO Scoring Less

	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	40,081	34,444	34,139	28,656

S. 1173, ISTEA2

	OMB Scoring	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	198,183	205,587	164,369	170,006	170,311	175,794

S. 1173 OMB Scoring Less

	CBO Scoring	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
Outlays	-7,404	33,814	28,177	27,872	22,389

S. 1173 CBO Scoring Less

	President's Request	CBO WODI Baseline	OMB WIDI Baseline	CBO WIDI Baseline
	41,218	35,581	35,276	29,793

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

April 1, 1998
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 2400 - Building Efficient Surface Transportation and Equity Act of 1998
(Shuster (R) PA and 118 cosponsors)

Reauthorization of the Nation's surface transportation programs is a top Administration priority. The Administration is pleased that H.R. 2400 is a six-year bill that reflects many of the President's priorities. As the President stated in his letter of March 28, 1998, however, he has serious concerns that the extent of proposed new spending in this transportation bill goes too far and could threaten both fiscal discipline and the commitment to education and other critical investments in our future. The Administration urges the House to reduce the spending levels in H.R. 2400 and fully offset any new spending with acceptable proposals.

The Administration strongly supports the Spratt amendment, which would extend the current highway and mass transit programs until July 1, 1998, ensuring that important construction projects proceed uninterrupted. This will provide sufficient time for completion of a budget resolution, making clear the offsets required by the high levels of funding called for in this bill.

We are pleased that BESTEA includes many of the provisions advanced by the President last spring. There are significant and solid areas of agreement. BESTEA builds upon the successes of ISTEA by retaining the basic program structure for transit and core highway programs, including the bridge program, as well as continuing the effective metropolitan and statewide planning processes. The bill retains ISTEA's highly successful environmental programs, and firmly supports Intelligent Transportation Systems technologies.

Funding Levels and Off-Budget Treatment. H.R. 2400 would increase surface transportation authorizations significantly above the President's request -- increasing surface transportation outlays during 1998-2003 by at least $34.2 billion above the President's request. Yet H.R. 2400 does not identify any offsets. Without offsets, severe cuts in other domestic discretionary spending programs would be required over the next five years in order to realize fully the authorized levels of transportation spending.

If this transportation bill is fully funded from discretionary spending, it will force billions of dollars of additional cuts -- beyond those already required to live within the BBA. If such cuts were made, the President's request for nondefense discretionary programs would be reduced by $31 billion over five years -- with serious consequences. For example, compared to the President's request 50,000 - 100,000 fewer children would participate in Head Start over 5 years; WIC would be cut by $431 million over 5 years, with an average of 100,000 fewer people assisted each year; Superfund would be cut by $166 million over 5 years; 138,00 fewer low-income students would receive Pell Grants over 5 years; 39,000 fewer AIDS victims would be assisted through the Ryan White program over 5 years; and an average of 572 fewer border patrol agents would hired each year.

It would be extremely difficult for the Congress to find acceptable offsets for this additional spending. To illustrate, the Senate-reported Budget Resolution identified $16 billion in mandatory offsets for transportation spending -- offsets that the President had proposed for funding vital initiatives in education, research, veterans' benefits, food stamps, environmental programs, and other domestic discretionary programs. Even these offsets would provide less than half the amount needed to pay for the increases in H.R. 2400.

We have moved our Nation from a decade of enormous deficits into an era of strong economic growth and budget surpluses -- due in part to the fiscal discipline required when making critical resource tradeoffs under a unified budget. We strongly oppose any provision that would drain anticipated budget surpluses prior to fulfilling our commitment to save Social Security first. The Administration also has serious concerns about the provision in H.R. 2400 which would move the Highway Trust Fund off-budget.

Demonstration Projects. The Administration believes that individual States are best able to define high priority transportation projects. The Administration has serious concerns regarding the number of earmarked projects in the bill and the unprecedented $9 billion in mandatory spending over six years for so-called "high priority" projects. This level of earmarked projects circumvents the usual State planning and selection process, undercutting key themes of ISTEA, including public participation, analysis of alternatives, and environmental review. This is not an appropriate way to allocate billions of dollars of public resources.

Disadvantaged Business Enterprises. The Administration strongly opposes the Roukema amendment, which would effectively repeal ISTEA's disadvantaged business enterprise (DBE) goals for highway and transit projects. First enacted in 1987, the DBE program sets out a 10 percent goal for all federal highway contracts to go to disadvantaged business enterprises. It is essential to continue equal opportunity in competition for transportation contracts.

Safety Concerns. The bill's safety provisions should be strengthened by mandating a .08 percent blood alcohol level as the national standard for drunk driving; enacting a strong companion program to combat drugged driving; prohibiting open containers of alcohol in motor vehicles; and encouraging States to improve their seat belt usage rates to 85 percent or enact primary seat belt laws.

Environmental Concerns. The bill's provisions regarding the National Environmental Policy Act (NEPA), which the Administration strongly opposes, should be deleted. The Administration particularly opposes the proposed pilot program delegating the statutory authorities of Federal agencies to States. The Department of Transportation should continue to be responsible for ensuring that the environmental impacts of projects are considered from a national perspective. Moreover, these provisions would have the negative effect of actually delaying project implementation and reducing the opportunities for public participation. In addition, the bill should extend Congestion Mitigation and Air Quality Improvement (CMAQ) program funding eligibility to potential non-attainment areas that may result from the recently promulgated Clean Air Act standards.

Other Major Concerns. The Administration will also seek amendments to H.R. 2400 in the House or in Conference to address the concerns described below and in the Attachment.

- The bill should increase the funding for, flexibility of, and number of Access to Jobs projects. The current limits on the number and design of projects and low funding levels will make it difficult for States and communities to succeed in moving people from welfare to work.

- The bill should increase the ability of States to leverage their transportation resources by including the State infrastructure bank and credit enhancement provisions as proposed by the Administration. The Administration, however, strongly opposes any provision that would permit direct and indirect Federal guarantees of tax-exempt obligations and the subordination of Federal loans for certain transportation projects in contravention of longstanding Federal credit policies.

- The provision limiting transit preventive maintenance and small urbanized area operating assistance to $400 million per year should be deleted.

- The bill should authorize the full $161 million requested for National Park roads and parkways. The funding levels currently authorized in the bill are inadequate to support these important programs.

- The bill should include a provision allowing employers to offer their employees transit and vanpool benefits in lieu of compensation, thus making the tax treatment of transit and vanpool benefits the same as for parking benefits under the Internal Revenue Code.

- The bill should extend the excise tax incentives for ethanol (but without phasing down the rates of the benefits), thereby supporting the use of alternative fuels to improve our Nation's air quality.

Pay-as-you-go Scoring

H.R. 2400 would increase direct spending by $8.3 billion above the baseline over six years. Most of this increase in mandatory spending would result from the over 1,400 demonstration projects included in this bill. Without any mandatory offsets, if this spending were scored on-budget as it should be, the bill would result in a sequester of mandatory programs as required by the Budget Enforcement Act. A sequester would result in across-the-board cuts in programs such as Medicare, Guaranteed Student Loans, programs of the Commodity Credit Corporation, Social Services Block Grants, and Extended Unemployment Benefits.

* * * * * * *

Attachment

Additional Concerns with H.R. 2400

The Administration urges the House to address the following additional concerns with H.R. 2400.

The Administration recommends that H.R. 2400 be amended to:

- Delete the provisions in Title IX authorizing the Secretary to provide direct loans and loan guarantees totaling $5 billion for rail purposes. 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 OMB guidance for budgeting and managing credit programs.

- Include "one-call" underground utility damage prevention provisions.

- Delete the provision for transferability of CMAQ and Transportation Enhancements funding to other highway program categories.

- Require consideration of the seven planning categories proposed by the Administration in order to promote consistent local planning and decision making for highway and mass transit projects.

- Retain ISTEA's current financial feasibility requirements for transportation plans.

- Provide adequate funding for the administrative and operations expenses of the Federal Highway Administration. (Funding levels currently in the bill would require large reductions in agency operations, and probably mandate reductions-in-force.)

- Reauthorize the Hazardous Materials Transportation safety program.

- Ensure that investments in highway and transit spending are balanced by investment in intermodal research and technology.

The Administration would strongly oppose amendments that would weaken the Transportation Department's ability to promote highway safety, or any selective exemptions from, or definitional changes to, Federal truck size and weight limitations, hazardous materials standards, hours of service requirements, or whistleblower protections, as such changes would constitute a threat to all motorists.

The Administration would strongly oppose any amendments to weaken: (1) the National Environmental Policy Act; (2) the Congestion Mitigation and Air Quality Improvement Program; or (3) the Clean Air Act, or their implementation.

The Administration is also committed to retaining ISTEA's labor standards and employee protection requirements afforded working people on federally assisted projects (including those assisted by State infrastructure banks), and would oppose any amendments repealing or limiting these protections. The Administration would oppose changing the transit formula by adopting any form of minimum allocation for transit.

Finally, H.R. 2400's provisions regarding spectrum for the Intelligent Transportation System are consistent with the Administration's proposed bill. If these provisions were enacted, the Department of Transportation would work within the Inter-Department Radio Advisory Committee to satisfy spectrum requirements in an efficient and effective manner.

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CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

April 9, 1998

Honorable Pete Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has prepared the enclosed cost estimate for S. 1173, the Intermodal Surface Transportation Efficiency Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Clare Doherty (for the federal costs of highway, safety, rail and research programs), who can be reached at 226-2860, Kristen Layman (for the federal costs of transit programs), who can be reached at 225-3220, Marjorie Miller (for the state and local impact), who can be reached at 225-3220, and Pearl Richardson and Alyssa Trzeszkowski (for federal revenues), who can be reached at 226-2691.

Sincerely,

James L. Blum

June E. O'Neill

Enclosure

cc: Honorable Frank R. Lautenberg
Ranking Minority Member

Honorable John H. Chafee
Chairman
Committee on Environment and Public Works

Honorable Max Baucus
Ranking Minority Member
Committee on Environment and Public Works

Honorable Alfonse M. D'Amato
Chairman
Committee on Banking, Housing, and Urban Affairs

Honorable Paul S. Sarbanes
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs

Honorable John McCain
Chairman
Committee on Commerce, Science, and Transportation

Honorable Ernest F. Hollings
Ranking Democrat
Committee on Commerce, Science, and Transportation

Honorable William V. Roth, Jr.
Chairman
Committee on Finance

Honorable Daniel Patrick Moynihan
Ranking Minority Member
Committee on Finance

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 9, 1998

S. 1173
Intermodal Surface Transportation Efficiency Act of 1998

As agreed to by the Senate on March 12, 1998

SUMMARY

S. 1173 would reauthorize the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) for the years 1998 through 2003. For that six-year period, the bill would provide contract authority totaling $171.3 billion for the Federal Highway Administration (FHWA), $1.1 billion for the National Highway Traffic Safety Administration (NHTSA), and $31.5 billion for the Federal Transit Administration (FTA). H.R. 2400 also would authorize the appropriation of $12.5 billion—in addition to amounts already appropriated for 1998—for the 1998-2003 period for programs managed by the Department of Transportation (DOT).

Of the $204 billion in contract authority that would be provided by this bill, $4.1 billion would be for spending that is exempt from annual obligation limitations. The exempt spending would be for the proposed minimum guarantee program, which would replace an existing program called minimum allocation. (Another exempt program, emergency relief, is permanently authorized at $100 million a year; S. 1173 would not change that authorization.)

CBO estimates that outlays for programs covered by this legislation would grow from an estimated $27 billion in 1998 to close to $39 billion in 2003. Relative to CBO's current-law projections, S. 1173 would result in an additional $34 billion in outlays over the 1998-2003 period, assuming appropriations action consistent with the obligation and authorization levels specified in the bill. (Those current-law projections do not assume future appropriations for discretionary programs.)

S. 1173 would reauthorize the State Infrastructure Bank Program (SIB) and includes the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), which would establish a new transportation credit program. The Joint Committee on Taxation (JCT) expects that both of these programs would probably result in an increase in tax-exempt financing and a consequent loss of federal revenues. JCT estimates revenue losses over the

1999-2003 period of $28 million for SIB and $225 million for TIFIA. The bill would also impose fees on the recipients of credit provided under TIFIA, and would require that those fees be recorded in the budget as "miscellaneous receipts" (revenues). CBO estimates that the TIFIA fees would increase federal revenues by $225 million over the 1999-2003 period, offsetting the TIFIA-related revenue loss. Other provisions of the bill would also affect revenues. On balance, the net change in revenues through 2003 would be a loss of $16 million.

Because S. 1173 would affect direct spending and receipts, pay-as-you go procedures would apply. S. 1173 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), but they would not impose costs on state, local, or tribal governments in excess of the threshold established by that act ($50 million in 1996, indexed annually for inflation).

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

Titles I and II of S. 1173 would reauthorize FHWA's federal-aid highways program. For the components of the program that are subject to annual obligation limitations, the bill would provide contract authority of $23.8 billion in 1998, $27.7 billion in 1999, $28.1 billion in 2000, $28.6 billion in 2001, $29.0 billion in 2002, and $29.5 billion in 2003. (Those amounts include a total of $530 million over the six years for credit subsidies under TIFIA.)

Title I would establish a new funding mechanism for apportioning some of the highway funds to states. The new program would be called "minimum guarantee;" it would replace an existing apportionment process known as "minimum allocation." Some of the funds provided under the minimum guarantee program would be exempt from annual obligation limitations.

Because the emergency relief program is permanently authorized under current law, its costs of $100 million a year are not included in the above totals for contract authority that would be provided by S. 1173.

Title III would reauthorize NHTSA's highway safety programs and FHWA's motor carrier safety program. The bill would provide contract authority of $171 million in 1998, $183 million in 1999, $188 million in 2000, $185 million in 2001, $190 million in 2002, and $199 million in 2003 for the NHTSA highway safety program. The bill also would authorize appropriations of $372 million over the 1998-2003 period for operations and research at NHTSA, and $12 million over the same period for NHTSA to maintain the national driver register, which contains the driving records of individuals. In addition, S. 1173 would provide contract authority of $90 million in 1998, $110 million in 1999, $107 million in 2000, $104 million in 2001, and $100 million in 2002 and 2003 for FHWA's motor carrier safety program.

In addition to the authorizations of appropriations noted above, S. 1173 would authorize the appropriation of $2.7 billion for highway, highway safety, and rail programs, and $106 million for two existing programs conducted by the Research and Special Programs Administration (RSPA) over the 1998-2003 period.

Title V would authorize federal mass transit programs for fiscal years 1998 through 2003. Over that six-year period, S. 1173 would provide contract authority—from the Highway Trust Fund—totaling $17.3 billion for the trust fund share of expenses and $14.2 billion for the major capital investment program. In addition, the bill would authorize the appropriation—from the general fund of the Treasury—of $9.7 billion over fiscal years 1998 through 2003 for a variety of transit programs. (Of that amount, approximately $400 million has already been appropriated for 1998.) S. 1173 would retain almost all of the transit programs and formulas for distributing funds that were authorized in ISTEA. The bill also would retain all of the existing set-asides for administrative expenses, programs for the elderly and disabled, and university transportation center programs. In addition, the legislation would authorize two new transit activities: an access-to-jobs program and a clean fuels program.

Title VI would extend Highway Trust Fund excise taxes through fiscal year 2005 and make several other changes that would affect federal revenues.

S. 1173 would require the Secretary of Transportation to complete numerous studies and to submit subsequent reports. In addition, the bill would require the General Accounting Office (GAO) to conduct several highway and transit studies.

Other provisions would not have any significant budgetary impact and are not discussed in this estimate.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that outlays under S. 1173 would total about $206 billion over the 1998-2003 period. Of that amount, $197 billion would be discretionary outlays and $8.6 billion would be direct spending outlays.

The estimated budgetary impact of S. 1173 is shown in the following table. The projections of baseline spending under current law cover the highway and transit programs that were authorized in ISTEA.

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
DIRECT SPENDING						
Baseline Spending Under Current Law						
Estimated Budget Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Proposed Changes						
Estimated Budget Authority	-15	4,127	4,698	5,272	5,886	6,563
Estimated Outlays	0	-6	4	19	35	50
Total Spending Under S. 1173						
Estimated Budget Authority	29,671	33,814	34,385	34,959	35,573	36,249
Estimated Outlays	1,966	1,752	1,545	1,226	1,091	1,011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority [a]	1,046	0	0	0	0	0
Estimated Outlays	25,197	26,300	26,976	27,696	28,134	28,806
Proposed Changes						
Estimated Authorization Level	571	2,194	2,432	2,391	2,420	2,463
Estimated Outlays	56	2,361	6,046	7,796	8,570	9,062
Total Spending Under S. 1173						
Estimated Authorization Level	1,617	2,194	2,432	2,391	2,420	2,463
Estimated Outlays	25,252	28,660	33,022	35,492	36,703	37,867
CHANGES IN REVENUES						
Estimated Revenues [b]	0	-13	6	6	-12	-3

a The 1998 level is the amount appropriated for that year.
b Negative numbers denote an estimated loss of revenues, positive numbers denote an increase in revenues.

Of the $197 billion in total estimated outlays subject to appropriation, about $189 billion would come from contract authority, and $8 billion would come from amounts authorized to be appropriated by S. 1173 or already appropriated in prior years. The costs of this legislation fall within budget function 400 (transportation).

Enacting S. 1173 also would affect revenues. JCT estimates that the authorization of TIFIA—the new transportation credit program—and the reauthorization of the SIB program would increase levels of tax-exempt debt, resulting in a loss of revenues to the federal government totaling $253 million over the 1998-2003 period. CBO estimates that fees collected under the TIFIA provisions would increase revenues by $225 million over the same period. Provisions in Title VI would increase revenues by $12 million over the period, resulting in a net loss in revenues of $16 million from 1999 through 2003.

BASIS OF ESTIMATE

Implementing S. 1173 would affect direct spending, spending subject to appropriation, and governmental receipts (revenues). In particular, the bill would provide $204 billion in contract authority (a form of direct spending) from 1998 through 2003 for the federal-aid highways program, the NHTSA safety grants program, the FHWA motor carrier safety grants program, and all FTA programs. The figures in the above table include an additional $600 million in contract authority for the emergency relief program; that funding is provided under current law. Most of the outlays from this contract authority would be controlled by annual obligation limitations imposed through the appropriation process. All of the projected outlays controlled by appropriation action, whether from appropriated budget authority or annually limited contract authority, are shown in the table under "Spending Subject to Appropriation." Because a portion of the new minimum guarantee program would be exempt from obligation limitations, some of the outlays for that program as well as the outlays from emergency relief are included in the table under "Direct Spending."

Direct Spending

S. 1173 would authorize funding for a new federal-aid highways activity that would be partly exempt from obligation limitations—the minimum guarantee program. Under this legislation, $4.1 billion in spending authority for the minimum guarantee would be exempt from obligation limitations over the 1998-2003 period. In addition, $600 million for the emergency relief program would continue to be exempt from obligation limitations over the same period (as is the case under current law).

Minimum Guarantee. Under procedures specified in the Balanced Budget and Emergency Deficit Control Act, the baseline projections assume continued funding for the minimum allocation program (which would be replaced by minimum guarantee funding). The amount of the minimum guarantee program that would be exempt from the obligation limitations would be equal to the amounts projected for the minimum allocation program in the March 1997 baseline: $639 million for 1998, $654 million for 1999, $670 million in 2000, $687 million in 2001, $704 million in 2002, and $721 million in 2003. CBO assumes that this new program would have the same obligation rates and outlay rates as projected for the existing minimum allocation program.

Emergency Relief. The emergency relief program, the other federal-aid activity under current law that is exempt from obligation limitations, is permanently authorized. S. 1173 would not change the emergency relief program, which receives $100 million each year.

Other. This bill would give the Secretary of Transportation the authority to establish separate funds in the U.S. Treasury to collect payments and revenues from nongovernmental organizations. This would affect direct spending through the collection of offsetting receipts and the subsequent spending of those receipts. CBO estimates that the net direct spending effects would be negligible in each year.

The bill also would reduce the contract authority for NHTSA's traffic safety program in 1998 by $24 million. This reduction in the contract authority for 1998 would require a reduction in 1998 obligations because there are no unobligated balances in the NHTSA account. CBO estimates that the reduction in obligations in 1998 would reduce outlays from direct spending by $16 million over the 1998-2003 period.

Spending Subject to Appropriation

For purposes of this estimate, CBO assumes that the amounts authorized for highway programs would be appropriated for each fiscal year. Outlay estimates for all of the spending subject to appropriation are based on historical spending patterns for the affected programs. Because most of the outlays from contract authority are governed by annual obligation limitations in appropriation acts, they are discretionary and are included in the table as estimated outlays subject to appropriation. To estimate such outlays, CBO used the obligation limitations specified in the bill. For example, the bill's obligation limitation for federal-aid highways for 1998 is identical to the obligation limitation established in the Department of Transportation and Related Agencies Appropriation Act of 1998 (Public Law 105-66). For programs that do not have obligation limitations specified in the bill, we assume that obligations would be equal to the contract authority provided in each year, except that the 1998 obligation limitations established in Public Law 105-66 would apply.

Of the $12.5 billion in authorizations of new appropriations, the bill would allocate $2.7 billion for new highway, highway safety, and rail programs, $384 million for existing NHTSA programs, $106 million for existing RSPA programs, and $9.3 billion for transit programs.

Highways, Highway Safety, and Rail. S. 1173 would authorize several new highway activities subject to the obligation limitation for federal-aid highways. The two biggest new programs are called "minimum guarantee" and "ISTEA transition." (Part of the minimum guarantee program is direct spending and was discussed above.) The amounts of contract authority that would be provided for these programs are based on formulas specified in the bill and were calculated by FHWA. In calculating the projections used for this cost estimate, FHWA used factors from the fall of 1997.

For the minimum guarantee program, we estimate that the gross annual levels would be $1.2 billion for each of fiscal years 1998 and 1999, $1.3 billion a year for 2000, 2001, and 2002, and $1.5 billion for 2003. Of these amounts, the exempt portions identified above (equal to about half of the program's spending) would result in direct spending, while the remainder would be subject to the annual obligation limitations for federal-aid highways.

The amounts of contract authority estimated for ISTEA transition are $872 million for 1998, $880 million for 1999, $884 million for 2000, $867 million for 2001, $757 million for 2002, and $658 million for 2003.

Another new program that would be controlled by federal-aid obligation limitations is safety belt incentive grants. Over the 1998-2003 period, S. 1173 would provide $400 million in contract authority for such grants. In addition, the bill would require the Secretary of Transportation to calculate the budgetary savings relating to federal medical costs, including savings in the Medicare and Medicaid programs, attributable to increased seat belt usage, and distribute those savings to the states that had caused those budgetary savings. Any additional funds provided to states under this authority would be direct spending. But CBO expects that additional spending, if any, would be negligible because the likelihood that the provisions of the bill would significantly increase seat belt usage is small and the impact of any change in seat belt usage on Medicare and Medicaid spending would likely be negligible and difficult to identify.

S. 1173 would authorize the appropriation of $2.7 billion over the 1998-2003 period for new highway, highway safety, and rail programs. The bill would authorize appropriations totaling $750 million to states for trade corridor and border crossing grants, $300 million for the joint partnership for advanced vehicles program, $100 million for the ferry and ferry terminal program, $9/50 million for magnetic levitation grants, and $600 million for a variety of other programs.

In addition, the bill would authorize the appropriation of such sums as are necessary for transportation assistance for Olympic cities. Based on information from the United States Olympic Committee and Congressional sources, we estimate that costs would total $335 million over the 1999-2003 period. Funds would be used primarily for building roads, as well as for aviation and transit needs.

Transit. Over the 1998-2003 period, S. 1173 would authorize the appropriation of $9.7 billion for transit programs, of which about $400 million has been appropriated for 1998. In addition, $200 million has already been appropriated for the Washington Metropolitan Area Transit Authority (WMATA).

The bill would authorize the appropriation of $250 million for a new access-to-jobs program for each fiscal year from 1998 through 2003. For the other new program—the clean fuels initiative—the bill would authorize funding of $200 million each year, of which $100 million would be contract authority and $100 million would come from appropriations. Outlay estimatess are based on historical spending rates for formula programs.

Research and Special Programs Administration (RSPA). S. 1173 would reauthorize the hazardous materials program within the RSPA research and special programs account. The bill would authorize the appropriation of $100 million over the 1998-2003 period. In addition, S. 1173 would authorize the appropriation of $6 million over fiscal years 1999 and 2000 for the RSPA's one-call notification program.

Miscellaneous. S. 1173 would authorize subsidy appropriations of $530 million over the 1998-2003 period for the proposed TIFIA credit program. In addition, the bill would require DOT to conduct numerous studies and publish subsequent reports. CBO estimates that the cost of completing the studies and preparing the reports would be several million dollars each year. Finally, the bill would require GAO to complete studies and subsequently publish reports. According to GAO, the cost of completing these studies and reports would not be significant.

Revenues

Title I of S. 1173 would provide for a federal credit program for such facilities as border crossings, multistate trade corridors, intermodal facilities, toll roads, and other facilities that generate their own revenue streams through user charges. The credit program, which is intended to complement other funding and to leverage private co-investment, could include secured loans, loan guarantees, and lines of credit, up to a maximum amount of credit ranging from $1.2 billion in 1998 to $2.0 billion in 2003. That program is expected to leverage new issues of tax-exempt bonds and result in a net increase in the volume of outstanding tax-exempt debt. The Joint Committee on Taxation estimates that this program would result in revenue losses totaling $225 million over the 1999-2003 period.

The bill would also establish annual fees to be paid by the recipients of credit under the proposed TIFIA credit program. The fees would be based on a percentage of the average amount of outstanding federal credit. Under the Federal Credit Reform Act, such fees would generally be considered to be a part of the credit financing and would be incorporated in the subsidy estimates. S. 1173, however, would direct that collections of the TIFIA fees be deposited in the general fund of the Treasury as "miscellaneous receipts" (revenues). CBO estimates that the TIFIA fees would increase revenues by $225 million over the 1999-2003 period, exactly offsetting the estimated loss in revenues from additional tax-exempt financing under TIFIA.

Title I would also reauthorize the State Infrastructure Bank Program (SIB). The SIB program allows states to elect to use federal-aid highways funds, subject to the obligation limitation, to provide capitalization for SIBs. Funds in a SIB provide credit enhancements and serve as a capital reserve for bond and debt financing for infrastructure projects that are expected to generate their own source of funding during operation. This program also allows states, with the consent of the Secretary of Transportation, to enter into interstate compacts to provide for the financing of multistate projects. The reauthorization would also give states greater flexibility in determining the amount of federal funds they can use to capitalize SIBs. We anticipate that the projects financed through SIBs would be financed primarily with tax-exempt debt, thus increasing the total volume of tax-exempt debt and reducing federal revenues. The Joint Committee on Taxation estimates that this program would result in revenue losses totaling $28 million over the 1999-2003 period.

The Senate Finance Committee's substitute amendment to S. 1173, which was adopted as Title VI by the Senate, would extend the Highway Trust Fund excise taxes through 2005, and both the income tax credit for ethanol and the ethanol excise tax exemptions through 2007. These changes would increase revenues by $44 million over the 1999-2003 period. Other major provisions in the amendment would create tax-exempt bonds for private-sector construction of highways and would delay the indexing for all qualified transportation benefits in 1999, resulting in a net revenue loss of $32 million over the 1999-2003 period. Together, the provisions in Title VI would result in a net increase of $12 million in revenues over the 1999-2003 period.

In addition, S. 1173 would increase some of the penalties and fines for violations of highway safety regulations. CBO expects that the increase in collections as a result of these changes would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted. Also, only changes in direct spending outlays and changes in receipts are subject to pay-as-you-go requirements; the discretionary outlays from contract authority subject to obligation limitations are not included as pay-as-you-go effects because those outlays are controlled by appropriation acts.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	-6	4	19	35	50	67	84	101	119	184
Changes in receipts	0	-13	6	6	-12	-3	-37	9	-6	-1	-20

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1173 contains mandates as defined in UMRA, but they would not impose costs on state, local, or tribal governments in excess of the threshold established by that act ($50 million in 1996, indexed annually for inflation). One section of this bill would limit the liability of an employer requesting safety performance records on job applicants and of persons providing such information. This section would impose a mandate on state governments by preempting any contradictory state laws. Another mandate might be imposed by the section of the bill extending the reach of federal motor carrier safety regulation to cover small vehicles transporting passengers for compensation. This could affect a small number of vehicles operated by state or local governments.

PREVIOUS CBO ESTIMATES

On October 7, 1997, CBO provided a cost estimate for S. 1173, as reported by the Senate Committee on Environment and Public Works on October 1, 1997. The bill as adopted by the Senate includes funding for transit programs, highway safety programs, and research and special programs, which was not in the reported version. The Senate-approved bill also incorporates additional amendments that would affect federal revenues and highway spending.

On January 23, 1998, CBO provided a cost estimate for S. 1271, the Federal Transit Act of 1997, as reported by the Senate Committee on Banking, Housing, and Urban Affairs on October 8, 1997.

On November 7, 1998, CBO provided a cost estimate for S. 1115, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 4, 1997. That version of S. 1115 is identical to the one-call notification authorization language passed by the Senate.

On March 27, 1998, CBO provided a cost estimate for H.R. 2400, as reported by the House Committee on Transportation and Infrastructure on March 25, 1998. S. 1173 would reauthorize many of the same programs that are covered by H.R. 2400; however, S. 1173 contains some additional authorizations of appropriations and a transportation credit program that are not included in H.R. 2400. There are several other differences between H.R. 2400 and S. 1173. For example, the two bills have significantly different effects on outlays from direct spending. In particular, H.R. 2400 would increase the portion of federal-aid highways spending that is exempt from annual obligation limitations by more than $8 billion over the 1998-2003 period, relative to the current law baseline, while S. 1173 would increase outlays from direct spending by only about $100 million over the same period. On the other hand, S. 1173 would establish higher obligation limitations for highway spending. In total, CBO estimates that outlays—from both direct spending and appropriation action—would be $205.6 billion over the 1998-2003 period for S. 1173 and $204.4 billion over the same period for H.R. 2400.

ESTIMATE PREPARED BY:

Federal Costs: Clare Doherty and Kristen Layman (226-2860)
Federal Revenues: Pearl Richardson and Alyssa Trzeszkowski (226-2691)
Impact on State, Local, and Tribal Governments: Marjorie Miller (225-3220)

ESTIMATE APPROVED BY:

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Deputy Assistant Director for Budget Analysis

04/13/98

COMPARISON OF H.R. 2400 AND ALTERNATIVE CBO PROJECTIONS
--Outlays in Billions of Dollars --

6-Year Total for the 1998-2003 Period				Differences in 6-Year Totals		
H.R. 2400	Baseline	WODI	Current Law	H.R. 2400 versus Baseline	H.R. 2400 versus WODI	H.R. 2400 versus Current Law
204	176	170	172	29	34	33

H.R. 2400: The Building Efficient Surface Transportation and Equity Act of 1998, as reported by the House Committee on Transportation and Infrastructure. CBO has not completed a review of the bill as passed by the House. The House-passed version incorporates an amendment (to the committee-approved version) that would authorize funding of $150 milllion a year for the proposed Access to Jobs program. The committee version authorizes $42 million a year. Other changes to the committee version of the bill also might affect the estimate of costs.

Baseline: CBO baseline projections, including adjustments for anticipated inflation.

WODI: CBO baseline projections without discretionary inflation.

Current Law: CBO's current-law projections, which assume continuation of programs that are funded by contract authority (a form of direct spending), but do not assume future appropriations for discretionary programs. The CBO cost estimate dated March 27, 1998, for H.R. 2400, as reported by the House Committee on Transportation and Infrastructure, compares H.R. 2400 to the "current-law projections."

04/13/98

Estimated Outlays for Highway & Transit Programs
(Billions of Dollars, by Fiscal Year)

	H.R. 2400, Committee Version			**CBO Baseline**		
Year	Outlays from CA	Outlays from BA	Outlays Total	Outlays from CA	Outlays from BA	Outlays Total
1998	26.6	0.8	27.3	26.4	0.8	27.2
1999	30.1	0.1	30.1	27.6	0.8	28.4
2000	30.9	2.9	33.8	28.3	0.9	29.2
2001	34.3	2.4	36.7	28.9	1.0	29.8
2002	36.3	1.5	37.9	29.2	1.0	30.2
2003	37.6	0.9	38.6	29.8	1.1	30.9
6-yr sum	195.8	8.6	204.4	170.3	5.5	175.8

	WODI			**Current-Law Projections**		
Year	Outlays from CA	Outlays from BA	Outlays Total	Outlays from CA	Outlays from BA	Outlays Total
1998	26.4	0.8	27.2	26.4	0.8	27.2
1999	27.4	0.8	28.3	27.6	0.5	28.1
2000	27.7	1.0	28.7	28.3	0.2	28.5
2001	27.7	1.0	28.7	28.9	0.1	28.9
2002	27.5	1.1	28.6	29.2	-0.0	29.2
2003	27.5	1.1	28.6	29.8	-0.1	29.8
6-yr sum	164.3	5.7	170.0	170.3	1.4	171.7

CA. Contract Authority (provided in authorization legislation).
The outlays shown include both direct spending and spending controlled by annual obligation limitations in appropriations acts.

BA: Discretionary Budget Authority (provided in appropriations acts).

SPENDING UNDER H.R 2400 -- BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	187	248	298	298	298	298
Estimated Outlays	178	211	257	279	292	298
FHWA Motor Carrier Safety grants						
Contract Authority	85	125	150	150	150	150
Estimated Outlays	80	96	132	150	150	150
Federal-aid subject to the obligation limitation						
Contract Authority	22,171	25,253	28,431	28,433	28,432	28,577
Estimated Outlays	19,975	22,231	25,147	27,424	28,075	28,470
Federal-aid exempt from obligation limitation						
Total CA	2,256	2,785	3,210	3,210	3,312	3,312
emergency relief	100	100	100	100	100	100
high priority projects	1,026	1,389	1,678	1,678	1,772	1,772
minimum allocation	1,131	1,266	1,431	1,431	1,441	1,441
Estimated Outlays	2,115	2,379	2,848	3,071	3,200	3,253
Major Capital Investment						
Contract Authority	2,197	2,412	2,613	2,613	2,613	2,613
Estimated Outlays (includes priors)	1,961	1,869	2,170	2,264	2,397	2,543
Formula Grants						
Contract Authority	2,698	3,213	3,553	3,553	3,553	3,553
Estimated Outlays	2,280	3,213	276	1,041	2,082	2,757
UTC						
Contract Authority	0	0	6	6	6	6
Estimated Outlays	0	0	1	3	5	5
Administration						
Contract Authority	0	0	52	52	52	52
Estimated Outlays	0	0	47	52	52	52
Planning & Research						
Contract Authority	0	0	92	92	92	92
Estimated Outlays	0	0	11	49	77	88
Subtotals						
Contract Authority	29,594	34,016	38,404	38,406	38,509	38,654
Estimated Outlays	26,569	30,099	30,869	34,333	36,331	37,817

Note Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations)

SPENDING UNDER H.R. 2400 -- BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
(1) Accounts Authorized in H.R. 2400						
NHTSA & FHWA Operations and Research						
Authorization Level	75	75	75	75	75	75
Estimated Outlays	67	70	72	74	75	75
NHTSA NDR						
Authorization Level	2	2	2	2	2	2
Estimated Outlays	1	2	2	2	2	2
Olympics						
Authorization Level	0	110	125	70	30	0
Estimated Outlays	0	41	98	108	72	16
Rail						
Authorization Level	75	271	71	71	36	36
Estimated Outlays	39	288	81	78	57	43
Formula Grants						
Budget Authority	290	68	0	0	0	0
Estimated Outlays	-189	-1,100	2,165	1,821	1,145	698
UTC						
Budget Authority	6	6	0	0	0	0
Estimated Outlays	8	7	5	3	1	1
Administrative Expenses						
Budget Authority	48	50	0	0	0	0
Estimated Outlays	45	49	5	0	0	0
Planning & Research						
Budget Authority	92	90	0	0	0	0
Estimated Outlays	89	94	85	47	19	8
Access to Jobs						
Budget Authority	42	42	42	42	42	42
Estimated Outlays	2	23	40	42	42	42
(2) Other Accounts Included in CBO Estimate of Bill Totals						
Appalachian Development Highway System						
Budget Authority	300	0	0	0	0	0
Estimated Outlays	81	126	45	30	18	0
FHWA safety grants						
Contract Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA ops.						
Budget Authority	75	0	0	0	0	0
Estimated Outlays	91	45	23	13	6	5
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15

SPENDING UNDER H.R. 2400 -- BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
(2) Continued						
State infrastructure banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
WMATA						
Budget Authority	200	0	0	0	0	0
Estimated Outlays	208	192	141	83	46	14
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	0	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Discretionary BA*	1,203	714	315	260	185	155
Estimated Outlays	777	50	2,916	2,402	1,535	933
Totals						
Budget Authority	30,798	34,730	38,719	38,666	38,693	38,808
Estimated Outlays	27,346	30,150	33,805	36,734	37,868	38,549

* Discretionary BA = Budget authority already appropriated plus additional authorization levels contained in H.R. 2400, as reported by the Committee on Transportation and Infrastructure.

Note: The above estimates are for the committee-reported version of H.R. 2400. They do not reflect any changes to costs attributable to amendments that were adopted in the House-passed version. For example, the House-passed version contains a higher annual authorization level ($150 million vs. $42 million) for the proposed Access to Jobs program. CBO has not completed a review of the amendments incorporated into the House-passed version of H.R. 2400.

**SPENDING UNDER THE
CBO BASELINE WITH DISCRETIONARY INFLATION (WIDI)
FOR PROGRAMS COVERED BY H.R. 2400
(Millions of Dollars, by Fiscal Year)**

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority*						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	195	195	195	195	195	195
Estimated Outlays	178	187	194	195	200	205
FHWA Motor Carrier Safety grants						
Contract Authority	90	90	90	90	90	90
Estimated Outlays	80	85	87	89	91	94
Federal-aid subject to the obligation limitation						
Contract Authority	23,742	23,742	23,742	23,742	23,742	23,742
Estimated Outlays	19,975	21,335	22,158	22,931	23,323	23,911
Federal-aid exempt from obligation limitation						
Contract Authority	739	739	739	739	739	739
Estimated Outlays	1,968	1,757	1,541	1,207	1,056	960
Major Capital Investment						
Contract Authority	2,263	2,263	2,263	2,263	2,263	2,263
Estimated Outlays	1,961	1,951	1,895	2,012	2,054	2,140
Formula Grants						
Contract Authority	2,657	2,657	2,657	2,657	2,657	2,657
Estimated Outlays	2,260	2,310	2,363	2,420	2,478	2,537
Subtotals						
Contract Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	26,420	27,624	28,338	28,853	29,202	29,847

* Under WIDI, obligation limitations increase with discretionary inflation from the level of the 1998 obligation limitations.

Note: Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations).

SPENDING UNDER THE CBO BASELINE WITH DISCRETIONARY INFLATION (WIDI) FOR PROGRAMS COVERED BY H.R. 2400
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Appalachian Development Highway System						
Budget Authority	300	307	314	322	329	337
Estimated Outlays	81	209	259	295	320	327
FHWA safety grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA Operations - gf						
Budget Authority	75	77	80	82	84	87
Estimated Outlays	91	90	90	90	88	90
NHTSA Operations -tf						
Budget Authority	72	74	77	79	81	84
Estimated Outlays	65	68	72	76	80	82
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State Infrastructure Banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
Next generation high speed rail						
Budget Authority	20	20	21	21	22	22
Estimated Outlays	26	28	28	28	21	22
Alaska railroad						
Budget Authority	10	10	10	11	11	11
Estimated Outlays	6	10	10	10	11	11
Formula Grants						
Budget Authority	240	245	251	257	263	269
Estimated Outlays	-195	-173	-67	24	108	129
UTC						
Budget Authority	6	6	6	6	7	7
Estimated Outlays	8	7	6	6	6	6

(continued)

SPENDING UNDER THE
CBO BASELINE WITH DISCRETIONARY INFLATION (WIDI)
FOR PROGRAMS COVERED BY H.R. 2400
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
	Spending from Discretionary Appropriations					
Administrative Expenses						
Budget Authority	46	48	50	52	54	56
Estimated Outlays	45	48	50	51	54	56
Planning & Research						
Budget Authority	92	94	96	98	101	103
Estimated Outlays	89	94	97	100	102	104
WMATA						
Budget Authority	200	204	209	214	219	225
Estimated Outlays	208	202	196	195	193	195
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	2	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Budget Authority	1,061	1,085	1,114	1,142	1,171	1,201
Estimated Outlays	759	798	897	968	1,034	1,053
Totals:						
WIDI Budget Authority**	30,747	30,772	30,800	30,828	30,857	30,887
Estimated Outlays	27,178	28,423	29,235	29,821	30,236	30,900

** Total of Mandatory Budget Authority (Contract Authority) and Discretionary Budget Authority.

SPENDING UNDER THE CBO BASELINE WITHOUT DISCRETIONARY INFLATION (WODI) FOR PROGRAMS COVERED BY H.R. 2400
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority*						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	195	195	195	195	195	195
Estimated Outlays	178	186	189	187	187	187
FHWA Motor Carrier Safety grants						
Contract Authority	90	90	90	90	90	90
Estimated Outlays	80	85	85	85	85	85
Federal-aid subject to the obligation limitation						
Contract Authority	23,742	23,742	23,742	23,742	23,742	23,742
Estimated Outlays	19,975	21,205	21,688	22,017	21,913	21,970
Federal-aid exempt from obligation limitation						
Contract Authority	739	739	739	739	739	739
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Major Capital Investment						
Contract Authority	2,263	2,263	2,263	2,263	2,263	2,263
Estimated Outlays	1,961	1,949	1,969	1,985	1,971	2,011
Formula Grants						
Contract Authority	2,657	2,657	2,657	2,657	2,657	2,657
Estimated Outlays	2,260	2,260	2,260	2,260	2,260	2,260
Subtotals						
Contract Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	26,420	27,442	27,732	27,720	27,472	27,473

* Under WODI, obligation limitations for 1999 through 2003 are assumed to equal the 1998 obligation limitations.

Note: Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations)

SPENDING UNDER THE CBO BASELINE WITHOUT DISCRETIONARY INFLATION (WODI) FOR PROGRAMS COVERED BY H.R. 2400
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Appalachian Development Highway System						
Budget Authority	300	300	300	300	300	300
Estimated Outlays	81	207	252	282	300	300
FHWA safety grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA Operations - gf						
Budget Authority	75	75	75	75	75	76
Estimated Outlays	91	88	86	84	81	79
NHTSA Operations -tf						
Budget Authority	72	72	72	72	72	72
Estimated Outlays	65	67	69	71	72	72
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State Infrastructure Banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	88	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
Next generation high speed rail						
Budget Authority	20	20	20	20	20	20
Estimated Outlays	26	28	28	27	20	20
Alaska railroad						
Budget Authority	10	10	10	10	10	10
Estimated Outlays	6	10	10	10	10	10
Formula Grants						
Budget Authority	240	240	240	240	240	240
Estimated Outlays	-195	-129	11	124	218	240
UTC						
Budget Authority	6	6	6	6	6	6
Estimated Outlays	8	7	6	6	6	6

(continued)

SPENDING UNDER THE CBO BASELINE WITHOUT DISCRETIONARY INFLATION (WODI) FOR PROGRAMS COVERED BY H.R. 2400

(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Administrative Expenses						
Budget Authority	46	46	46	46	46	46
Estimated Outlays	45	45	45	45	46	46
Planning & Research						
Budget Authority	92	92	92	92	92	92
Estimated Outlays	89	94	96	97	97	96
WMATA						
Budget Authority	200	200	200	200	200	200
Estimated Outlays	208	202	195	191	186	184
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	2	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Budget Authority	1,061	1,061	1,061	1,061	1,061	1,061
Estimated Outlays	758	835	954	1,029	1,087	1,083
Totals:						
WODI Budget Authority**	30,747	30,747	30,747	30,747	30,747	30,747
Estimated Outlays	27,178	28,277	28,687	28,749	28,558	28,557

** Total of Mandatory Budget Authority (Contract Authority) and Discretionary Budget Authority.

BASELINE SPENDING UNDER CURRENT LAW
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	195	195	195	195	195	195
Estimated Outlays	178	187	194	195	200	205
FHWA Motor Carrier Safety grants						
Contract Authority	90	90	90	90	90	90
Estimated Outlays	80	85	87	89	91	94
Federal-aid subject to the obligation limitation						
Contract Authority	23,742	23,742	23,742	23,742	23,742	23,742
Estimated Outlays	19,975	21,335	22,158	22,931	23,323	23,911
Federal-aid exempt from obligation limitation						
Contract Authority	739	739	739	739	739	739
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Major Capital Investment						
Contract Authority	2,263	2,263	2,263	2,263	2,263	2,263
Estimated Outlays	1,961	1,951	1,995	2,012	2,054	2,140
Formula Grants						
Contract Authority	2,657	2,657	2,657	2,657	2,657	2,657
Estimated Outlays	2,260	2,310	2,363	2,420	2,478	2,537
Subtotals						
Contract Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	26,420	27,626	28,339	28,854	29,202	29,847

Note: Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations).

SPENDING UNDER CURRENT LAW
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Appalachian Development Highway System						
Budget Authority	300	0	0	0	0	0
Estimated Outlays	81	126	45	30	18	0
FHWA safety grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA Operations - gf						
Budget Authority	75	0	0	0	0	0
Estimated Outlays	91	45	23	13	6	5
NHTSA Operations -tf						
Budget Authority	72	0	0	0	0	0
Estimated Outlays	65	25	8	2	0	0
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State Infrastructure Banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
Next generation high speed rail						
Budget Authority	20	0	0	0	0	0
Estimated Outlays	28	20	12	8	0	0
Alaska railroad						
Budget Authority	10	0	0	0	0	0
Estimated Outlays	6	6	0	0	0	0
Formula Grants						
Budget Authority	240	0	0	0	0	0
Estimated Outlays	-195	-289	-244	-200	-145	-134
UTC						
Budget Authority	6	0	0	0	0	0
Estimated Outlays	8	6	3	1	1	0
Administrative Expenses						
Budget Authority	46	0	0	0	0	0
Estimated Outlays	45	4	0	0	0	0

SPENDING UNDER CURRENT LAW
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Planning & Research						
Budget Authority	92	0	0	0	0	0
Estimated Outlays	89	83	44	18	9	4
WMATA						
Budget Authority	200	0	0	0	0	0
Estimated Outlays	208	192	141	93	48	14
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	0	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Budget Authority	1,061	0	0	0	0	0
Estimated Outlays	758	453	187	56	-12	-81
Totals						
Budget Authority	30,747	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	27,178	28,079	28,526	28,910	29,190	29,766

Congressional Budget Office

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Additional Information:

Attached are tables with summary and account-level detail for S.1173 (as agreed to by the Senate).

04/14/98

COMPARISON OF S. 1173 AND ALTERNATIVE CBO PROJECTIONS
--Outlays in Billions of Dollars --

6-Year Total for the 1998-2003 Period				Differences in 6-Year Totals		
S. 1173	Baseline	WODI	Current Law	S. 1173 versus Baseline	S. 1173 versus WODI	S. 1173 versus Current Law
206	176	170	172	30	36	34

S. 1173: The Intermodal Surface Transportation Efficiency Act of 1998, as agreed to by the Senate on March 12, 1998.

Baseline: CBO baseline projections, including adjustments for anticipated inflation.

WODI: CBO baseline projections without discretionary inflation.

Current Law: CBO's current-law projections, which assume continuation of programs that are funded by contract authority (a form of direct spending), but do not assume future appropriations for discretionary programs. The CBO cost estimate dated April 9, 1998 for S. 1173, as agreed to by the Senate, compares S. 1173 to the "current-law projections".

04/14/98

Estimated Outlays for Highway & Transit Programs
(Billions of Dollars, by Fiscal Year)

		S. 1173			**CBO Baseline**	
Year	Outlays from CA	Outlays from BA	Outlays Total	Outlays from CA	Outlays from BA	Outlays Total
1998	26.4	0.8	27.2	26.4	0.7	27.2
1999	29.9	0.5	30.4	27.6	0.8	28.4
2000	33.4	1.2	34.6	28.3	0.9	29.2
2001	35.0	1.7	36.7	28.9	0.9	29.8
2002	35.8	2.0	37.8	29.2	1.0	30.2
2003	36.7	2.2	38.9	29.8	1.0	30.9
6-yr.sum	197.2	8.4	205.6	170.3	5.4	175.7

		WODI			**Current-Law Projections**	
Year	Outlays from CA	Outlays from BA	Outlays Total	Outlays from CA	Outlays from BA	Outlays Total
1998	26.4	0.7	27.2	26.4	0.7	27.2
1999	27.4	0.8	28.3	27.6	0.4	28.1
2000	27.7	0.9	28.7	28.3	0.2	28.5
2001	27.7	1.0	28.7	28.9	0.0	28.9
2002	27.5	1.1	28.5	29.2	-0.0	29.2
2003	27.5	1.1	28.5	29.8	-0.1	29.8
6-yr.sum	164.3	5.6	169.9	170.3	1.3	171.6

CA: Contract Authority (provided in authorization legislation).
The outlays shown include both direct spending and spending controlled by annual obligation limitations in appropriations acts.

BA: Discretionary Budget Authority (provided in appropriations acts).

SPENDING UNDER S. 1173 – BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	171	183	188	185	190	199
Estimated Outlays	172	171	181	182	187	193
FHWA Motor Carrier Safety grants						
Contract Authority	90	110	107	104	100	100
Estimated Outlays	80	92	109	106	103	100
Federal-aid subject to the obligation limitation						
Contract Authority	23,751	27,714	28,131	28,553	29,006	29,508
Estimated Outlays	19,975	23,113	26,644	28,437	29,137	29,908
Federal-aid exempt from obligation limitation						
Total CA	739	754	770	787	804	821
emergency relief	100	100	100	100	100	100
minimum guarantee	639	654	670	687	704	721
Estimated Outlays	1,966	1,760	1,551	1,228	1,091	1,011
Major Capital Investment						
Contract Authority	2,221	2,279	2,341	2,404	2,468	2,535
Estimated Outlays (includes priors)	1,960	1,964	2,078	2,146	2,246	2,393
Formula Grants						
Contract Authority	2,699	2,774	2,849	2,926	3,005	3,086
Estimated Outlays	2,260	2,774	2,849	2,926	3,005	3,086
Subtotals						
Contract Authority	29,071	33,814	34,385	34,959	35,573	36,249
Estimated Outlays	26,412	29,873	33,411	35,025	35,768	36,688

Note: Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations).

SPENDING UNDER S. 1173 – BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
(1) Accounts Authorized in S. 1173						
NHTSA & FHWA Operations and Research						
Authorization Level	72	62	62	62	62	64
Estimated Outlays	65	61	61	61	62	63
NHTSA NDR						
Authorization Level	2	2	2	2	2	2
Estimated Outlays	1	2	2	2	2	2
Olympics						
Authorization Level	0	110	125	70	30	0
Estimated Outlays	0	41	98	108	72	16
Light Rail						
Authorization Level	10	10	10	10	10	10
Estimated Outlays	2	8	12	10	10	10
School Transportation Safety						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	0	0	0	0	0
RSPA Hazmat						
Authorization Level	15	16	17	17	18	18
Estimated Outlays	16	16	16	17	17	18
RSPA one-call						
Authorization Level	0	1	5	0	0	0
Estimated Outlays	0	0	3	2	1	0
Trade Corridor Grants						
Authorization Level	125	125	125	125	125	125
Estimated Outlays	26	99	126	133	125	125
Magnetic Levitation						
Authorization Level	0	0	200	200	250	300
Estimated Outlays	0	0	80	160	220	260
Joint partnerships for advanced vehicles						
Authorization Level	50	50	50	50	50	50
Estimated Outlays	15	50	52	53	50	50
Transportation and environmental cooperative						
Authorization Level	5	5	5	5	5	5
Estimated Outlays	1	5	5	5	5	5
Excise Fuel Reporting System						
Authorization Level	10	2	2	2	2	2
Estimated Outlays	4	6	4	2	2	2
Ferry Boat Construction						
Authorization Level	0	20	20	20	20	20
Estimated Outlays	0	5	14	17	19	20

SPENDING UNDER S. 1173 – BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Remote sensing and spatial information						
Authorization Level	0	10	10	10	10	10
Estimated Outlays	0	8	10	10	10	10
Railway Highway Crossing Elimination						
Authorization Level	15	15	15	15	15	15
Estimated Outlays	2	9	15	14	15	15
Covered Bridges						
Authorization Level	0	10	10	10	10	10
Estimated Outlays	0	3	7	8	9	10
Formula Grants						
Budget Authority	194	180	182	204	217	230
Estimated Outlays	-199	-695	-544	-317	-134	-8
UTC						
Budget Authority	6	6	6	6	6	6
Estimated Outlays	8	7	6	6	6	6
Administrative Expenses						
Budget Authority	46	53	55	56	58	60
Estimated Outlays	45	52	55	56	58	59
Planning & Research						
Budget Authority	142	167	171	178	181	186
Estimated Outlays	95	124	152	168	178	182
Access to Jobs						
Budget Authority	250	250	250	250	250	250
Estimated Outlays	6	75	200	300	305	250
Clean Fuels Program (GF Portion)						
Budget Authority	100	100	100	100	100	100
Estimated Outlays	4	28	48	72	91	110
Transit Equity Program						
Budget Authority	0	1,000	1,000	1,000	1,000	1,000
Estimated Outlays	0	57	372	579	781	936

SPENDING UNDER S. 1173 -- BY ACCOUNT
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
(2) Other Accounts Included in CBO Estimate of Bill Totals						
Appalachian Development Highway System						
Budget Authority	300	0	0	0	0	0
Estimated Outlays	81	128	45	30	18	0
FHWA safety grants						
Contract Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA operations and research						
Budget Authority	75	0	0	0	0	0
Estimated Outlays	91	45	23	13	6	5
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State infrastructure banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
WMATA						
Budget Authority	200	0	0	0	0	0
Estimated Outlays	208	192	141	93	48	14
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	0	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Discretionary BA*	1,618	2,195	2,432	2,391	2,421	2,463
Estimated Outlays	807	540	1,156	1,694	2,026	2,191
Totals						
Budget Authority	31,289	36,008	38,817	37,350	37,993	38,712
Estimated Outlays	27,218	30,413	34,567	36,719	37,795	38,878

* Discretionary BA = Budget authority already appropriated plus additional authorization levels contained in S. 1173, as passed by the Senate.

SPENDING UNDER THE
CBO BASELINE WITH DISCRETIONARY INFLATION (WDI)
FOR PROGRAMS COVERED BY S. 1173
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority*						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	195	195	195	195	195	195
Estimated Outlays	178	187	194	195	200	205
FHWA Motor Carrier Safety grants						
Contract Authority	90	90	90	90	90	90
Estimated Outlays	80	85	87	89	91	94
Federal-aid subject to the obligation limitation						
Contract Authority	23,742	23,742	23,742	23,742	23,742	23,742
Estimated Outlays	19,975	21,335	22,158	22,931	23,323	23,911
Federal-aid exempt from obligation limitation						
Contract Authority	739	739	739	739	739	739
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Major Capital Investment						
Contract Authority	2,263	2,263	2,263	2,263	2,263	2,263
Estimated Outlays	1,861	1,951	1,995	2,012	2,054	2,140
Formula Grants						
Contract Authority	2,657	2,657	2,657	2,657	2,657	2,657
Estimated Outlays	2,260	2,310	2,363	2,420	2,478	2,537
Subtotals						
Contract Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	26,420	27,624	28,338	28,853	29,202	29,847

* Under WDI, obligation limitations increase with discretionary inflation from the level of the 1998 obligation limitations.

Note Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations)

SPENDING UNDER THE
CBO BASELINE WITH DISCRETIONARY INFLATION (WDI)
FOR PROGRAMS COVERED BY S. 1173
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Appalachian Development Highway System						
Budget Authority	300	307	314	322	329	337
Estimated Outlays	81	209	259	295	320	327
FHWA safety grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA Operations - gf						
Budget Authority	75	77	80	82	84	87
Estimated Outlays	91	90	90	90	89	90
NHTSA Operations -tf						
Budget Authority	72	74	77	79	81	84
Estimated Outlays	65	68	72	76	80	82
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State Infrastructure Banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
RSPA hazardous materials subaccount						
Budget Authority	15	15	16	16	16	17
Estimated Outlays	16	15	16	16	16	17
Formula Grants						
Budget Authority	240	245	251	257	263	268
Estimated Outlays	-195	-173	-67	24	108	129
UTC						
Budget Authority	6	6	6	6	7	7
Estimated Outlays	8	7	6	6	6	6

(continued)

SPENDING UNDER THE
CBO BASELINE WITH DISCRETIONARY INFLATION (WIDI)
FOR PROGRAMS COVERED BY S. 1173
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
	Spending from Discretionary Appropriations					
Administrative Expenses						
Budget Authority	46	48	50	52	54	56
Estimated Outlays	45	48	50	51	54	56
Planning & Research						
Budget Authority	92	94	96	98	101	103
Estimated Outlays	89	94	97	100	102	104
WMATA						
Budget Authority	200	204	209	214	219	225
Estimated Outlays	208	202	198	185	193	195
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	2	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Budget Authority	1,046	1,071	1,098	1,126	1,155	1,185
Estimated Outlays	743	775	874	945	1,019	1,037
Totals						
WIDI Budget Authority**	30,732	30,757	30,785	30,812	30,841	30,871
Estimated Outlays	27,163	28,400	29,213	29,799	30,221	30,884

** Total of Mandatory Budget Authority (Contract Authority) and Discretionary Budget Authority

SPENDING UNDER THE
CBO BASELINE WITHOUT DISCRETIONARY INFLATION (WODI)
FOR PROGRAMS COVERED BY S. 1173
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority*						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	195	195	195	195	195	195
Estimated Outlays	178	186	189	187	187	187
FHWA Motor Carrier Safety grants						
Contract Authority	90	90	90	90	90	90
Estimated Outlays	80	85	85	85	85	85
Federal-aid subject to the obligation limitation						
Contract Authority	23,742	23,742	23,742	23,742	23,742	23,742
Estimated Outlays	19,975	21,205	21,688	22,017	21,913	21,970
Federal-aid exempt from obligation limitation						
Contract Authority	739	739	739	739	739	739
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Major Capital Investment						
Contract Authority	2,263	2,263	2,263	2,263	2,263	2,263
Estimated Outlays	1,961	1,949	1,989	1,965	1,971	2,011
Formula Grants						
Contract Authority	2,657	2,657	2,657	2,657	2,657	2,657
Estimated Outlays	2,260	2,260	2,260	2,260	2,260	2,260
Subtotals						
Contract Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	26,420	27,442	27,732	27,720	27,472	27,473

* Under WODI, obligation limitations for 1999 through 2003 are assumed to equal the 1998 obligation limitations.

Note: Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations)

SPENDING UNDER THE
CBO BASELINE WITHOUT DISCRETIONARY INFLATION (WODI)
FOR PROGRAMS COVERED BY S. 1173
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Appalachian Development Highway System						
Budget Authority	300	300	300	300	300	300
Estimated Outlays	81	207	252	282	300	300
FHWA safety grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA Operations - gf						
Budget Authority	76	75	75	75	75	75
Estimated Outlays	91	88	86	84	81	79
NHTSA Operations - tf						
Budget Authority	72	72	72	72	72	72
Estimated Outlays	65	67	68	71	72	72
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State Infrastructure Banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
RSPA hazardous materials subaccount						
Budget Authority	15	15	15	15	15	15
Estimated Outlays	16	15	15	15	15	15
Formula Grants						
Budget Authority	240	240	240	240	240	240
Estimated Outlays	-195	-129	11	124	218	240
UTC						
Budget Authority	6	6	6	6	6	6
Estimated Outlays	8	7	6	6	6	6

(continued)

SPENDING UNDER THE
CBO BASELINE WITHOUT DISCRETIONARY INFLATION (WODI)
FOR PROGRAMS COVERED BY S. 1173
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
			Spending from Discretionary Appropriations			
Administrative Expenses						
Budget Authority	46	46	46	46	46	46
Estimated Outlays	45	45	45	45	46	46
Planning & Research						
Budget Authority	92	92	92	92	92	92
Estimated Outlays	89	94	96	97	97	96
WMATA						
Budget Authority	200	200	200	200	200	200
Estimated Outlays	208	202	195	191	188	184
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	5	3	2	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Budget Authority	1,046	1,046	1,046	1,046	1,046	1,046
Estimated Outlays	742	812	931	1,007	1,072	1,068
Totals:						
WODI Budget Authority**	30,732	30,732	30,732	30,732	30,732	30,732
Estimated Outlays	27,162	28,254	28,664	28,727	28,543	28,542

** Total of Mandatory Budget Authority (Contract Authority) and Discretionary Budget Authority

BASELINE SPENDING UNDER CURRENT LAW
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Contract Authority						
NHTSA SAFETY GRANTS - includes FHWA funds						
Contract Authority	195	195	195	195	195	195
Estimated Outlays	178	187	194	195	200	205
FHWA Motor Carrier Safety grants						
Contract Authority	90	90	90	90	90	90
Estimated Outlays	80	85	87	89	91	94
Federal-aid subject to the obligation limitation						
Contract Authority	23,742	23,742	23,742	23,742	23,742	23,742
Estimated Outlays	19,975	21,335	22,158	22,931	23,323	23,911
Federal-aid exempt from obligation limitation						
Contract Authority	739	739	739	739	739	739
Estimated Outlays	1,966	1,757	1,541	1,207	1,056	960
Major Capital Investment						
Contract Authority	2,263	2,263	2,263	2,263	2,263	2,263
Estimated Outlays	1,961	1,951	1,995	2,012	2,054	2,140
Formula Grants						
Contract Authority	2,657	2,657	2,657	2,657	2,657	2,657
Estimated Outlays	2,260	2,310	2,363	2,420	2,478	2,537
Subtotals						
Contract Authority	29,686	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	26,420	27,626	28,339	28,854	29,202	29,647

Note: Outlays shown above are a combination of direct spending (exempt programs) and spending subject to appropriation (programs subject to obligation limitations).

SPENDING UNDER CURRENT LAW
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Appalachian Development Highway System						
Budget Authority	300	0	0	0	0	0
Estimated Outlays	81	126	45	30	18	0
FHWA safety grants						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	3	2	0	0	0	0
NHTSA Operations - gf						
Budget Authority	75	0	0	0	0	0
Estimated Outlays	91	45	23	13	6	5
NHTSA Operations -tf						
Budget Authority	72	0	0	0	0	0
Estimated Outlays	65	25	8	2	0	0
Miscellaneous Trust Fund expenditures						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	53	51	48	34	27	15
State Infrastructure Banks						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	98	23	8	5	5	3
Miscellaneous appropriations from the general fund						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	160	132	97	51	18	13
RSPA hazardous materials subaccount						
Budget Authority	15	0	0	0	0	0
Estimated Outlays	16	3	0	0	0	0
Formula Grants						
Budget Authority	240	0	0	0	0	0
Estimated Outlays	-195	-269	-244	-200	-145	-134
UTC						
Budget Authority	6	0	0	0	0	0
Estimated Outlays	8	6	3	1	1	0
Administrative Expenses						
Budget Authority	46	0	0	0	0	0
Estimated Outlays	45	4	0	0	0	0

SPENDING UNDER CURRENT LAW
(Millions of Dollars, by Fiscal Year)

	1998	1999	2000	2001	2002	2003
Spending from Discretionary Appropriations						
Planning & Research						
Budget Authority	92	0	0	0	0	0
Estimated Outlays	89	83	44	18	9	4
WMATA						
Budget Authority	200	0	0	0	0	0
Estimated Outlays	208	192	141	93	48	14
Interstate Transfer						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	16	6	3	0	0	0
Research, Training, Human Res.						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	5	2	0	0	0	0
Subtotals						
Budget Authority	1,046	0	0	0	0	0
Estimated Outlays	742	430	175	48	-12	-81
Totals:						
Budget Authority	30,732	29,686	29,686	29,686	29,686	29,686
Estimated Outlays	27,162	28,056	28,514	28,902	29,190	29,766

BASELINE SPENDING, CURRENT LAW VS HR 2400
(Millions of Dollars, FY 1998-03)

	CURRENT LAW TOTAL	H.R. 2400	H.R. 2400 OVER CURR LAW	WODI BASELINE	H.R. 2400 OVER WODI
Spending from Contract Authority					
NHTSA SAFETY GRANTS - includes FHWA					
Contract Authority	1,170	1,625	455	1,170	455
Estimated Outlays	1,160	1,515	355	1,113	402
FHWA Motor Carrier Safety grants					
Contract Authority	540	810	270	540	270
Estimated Outlays	527	758	231	504	254
Federal-aid subject to the ob lim					
Contract Authority	142,453	161,298	18,845	142,453	18,845
Estimated Outlays	133,634	151,323	17,689	128,769	22,554
Federal-aid exempt from ob lim					
Contract Authority	4,434	18,065	13,631	4,434	13,631
Estimated Outlays	8,488	16,866	8,378	8,488	8,378
Major Capital Investment					
Contract Authority	13,579	15,061	1,482	13,579	1,482
Estimated Outlays	12,112	13,304	1,192	11,826	1,478
Formula Grants					
Contract Authority	15,941	20,123	4,182	15,941	4,182
Estimated Outlays	14,367	11,629	(2,738)	13,560	(1,931)
UTC					
Budget Authority	0	24	24	0	24
Estimated Outlays	0	14	14	0	14
Administrative Expenses					
Budget Authority	0	208	208	0	208
Estimated Outlays	0	203	203	0	203
Planning & Research					
Budget Authority	0	368	368	0	368
Estimated Outlays	0	225	225	0	225
Subtotals					
Contract Authority	178,117	217,582	39,465	178,117	39,465
Estimated Outlays	170,288	195,837	25,549	164,260	31,577

OMB - cuts baseline by real programs, such as Hwy Demo.

BASELINE SPENDING, CURRENT LAW VS HR 2400
(Millions of Dollars, FY 1998-03)

	CURRENT LAW TOTAL	H.R. 2400	H.R. 2400 OVER CURR LAW	WODI BASELINE	H.R. 2400 OVER WODI
Spending from Discretionary Appropriations					
Appalachian Development Highway System					
Budget Authority	300	300	0	1,800	(1,500)
Estimated Outlays	300	300	0	1,422	(1,122)
FHWA safety grants					
Budget Authority	0	0	0	0	0
Estimated Outlays	5	5	0	5	0
NHTSA Operations - gf					
Budget Authority	75	75	0	449	(374)
Estimated Outlays	181	181	(0)	509	(328)
NHTSA Operations -tf					
Budget Authority	72	464	392	432	32
Estimated Outlays	100	444	344	416	28
Miscellaneous Trust Fund expenditures					
Budget Authority	0	0	0	0	0
Estimated Outlays	228	228	(0)	228	0
State Infrastructure Banks					
Budget Authority	0	0	0	0	0
Estimated Outlays	142	142	0	142	0
Misc appropriations from the gen fund					
Budget Authority	0	0	0	0	0
Estimated Outlays	470	470	(0)	470	0
Next generation high speed rail					
Budget Authority	20	0	(20)	120	(120)
Estimated Outlays	66	0	(66)	149	(149)
Alaska railroad					
Budget Authority	10	0	(10)	60	(60)
Estimated Outlays	12	0	(12)	56	(56)
Rail					
Budget Authority	0	558	558	0	558
Estimated Outlays	0	583	583	0	583
Formula Grants					
Budget Authority	240	358	118	1,440	(1,082)
Estimated Outlays	(1,187)	4,539	5,726	270	4,269
UTC					
Budget Authority	6	12	6	36	(24)
Estimated Outlays	19	25	6	39	(14)
Administrative Expenses					
Budget Authority	46	96	50	274	(178)
Estimated Outlays	50	100	50	272	(172)

BASELINE SPENDING, CURRENT LAW VS HR 2400
(Millions of Dollars, FY 1998-03)

	CURRENT LAW TOTAL	H.R. 2400	H.R. 2400 OVER CURR LAW	WODI BASELINE	H.R. 2400 OVER WODI
Spending from Discretionary Appropriations					
Planning & Research					
Budget Authority	92	182	90	552	(370)
Estimated Outlays	248	343	95	569	(226)
WMATA					
Budget Authority	200	200	0	1,200	(1,000)
Estimated Outlays	696	696	(0)	1,166	(470)
Interstate Transfer					
Budget Authority	0	0	0	0	0
Estimated Outlays	24	24	(0)	24	0
Research, Training, Human Res.					
Budget Authority	0	0	0	0	0
Estimated Outlays	7	7	0	7	0
Olympics					
Budget Authority	0	335	335	0	335
Estimated Outlays	0	335	335	0	335
Access to Jobs					
Budget Authority	0	252	252	0	252
Estimated Outlays	0	191	191	0	191
Subtotals					
Budget Authority	1,061	2,832	1,771	6,383	(3,531)
Estimated Outlays	1,362	8,613	7,251	5,744	2,869
Totals:					
Budget Authority	179,178	220,414	41,236	184,480	35,934
Estimated Outlays	171,650	204,450	32,800	170,004	34,446