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SPM

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

MAY 12 1966
Eno
Center for
Transportation

MEMORANDUM FOR THE PRESIDENT

Subject: User charges

Attached for your consideration is a memorandum to Department and agency heads reporting on the Government's user charge program.

User charges are fees which the Government collects for providing special services to special groups. A good example is the highway gas tax which is collected from highway users and finances the construction of the Interstate Highway system. User charges are important because they help to assure

- efficient allocation of resources
- equitable treatment of the general taxpayer

The attached memorandum

- summarizes our progress in the user charge program during fiscal year 1965
- calls on agency heads to
 - o push hard on user charge legislation (which would add \$326 million in user charge receipts)
 - o review and update user charges which are set administratively

The memorandum is drafted to make it suitable for public release.

Charles H. Schultz

Director

Attachment

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THE WHITE HOUSE

WASHINGTON

May 17, 1966
Center for
Transportation

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

Subject: User charges

When the Federal Government provides special services for special groups, it is both good economics and good government to charge fees for these services

- good economics, because user charges make possible an efficient allocation of resources among alternative programs
- good government, because user charges ensure equitable treatment of the general taxpayer.

At a Cabinet meeting on February 11, 1965, I emphasized the importance of user charges and called on each of you to

- develop and actively support legislative proposals to establish or revise user charges
- review and keep up-to-date user charges which are established administratively.

The Bureau of the Budget has just released a report on the results of the user charge program during fiscal year 1965. Progress was made. These are the highlights:

- collections from user charges were \$1,408 million, up \$137 million over the year before
- Congress enacted three significant user charge measures which
 - o made permanent the 5% ticket tax on air passenger travel
 - o increased Patent Office fees -- for the first time since 1932
 - o increased security registration fees.

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- Executive departments and agencies, through administrative action, increased 171 fees, decreased 28 fees, and established 56 new fees. For example
 - the Atomic Energy Commission established a new fee for the conversion of U-233 uranyl nitrate to oxide and metal
 - the Food and Drug Administration increased fees for establishing tolerances for pesticide chemicals
 - the Agricultural Stabilization and Conservation Service substantially decreased fees charged to producers applying for price-support loans, reflecting a simplified loan operations procedure.

All of these accomplishments represent progress, but there is still much to do.

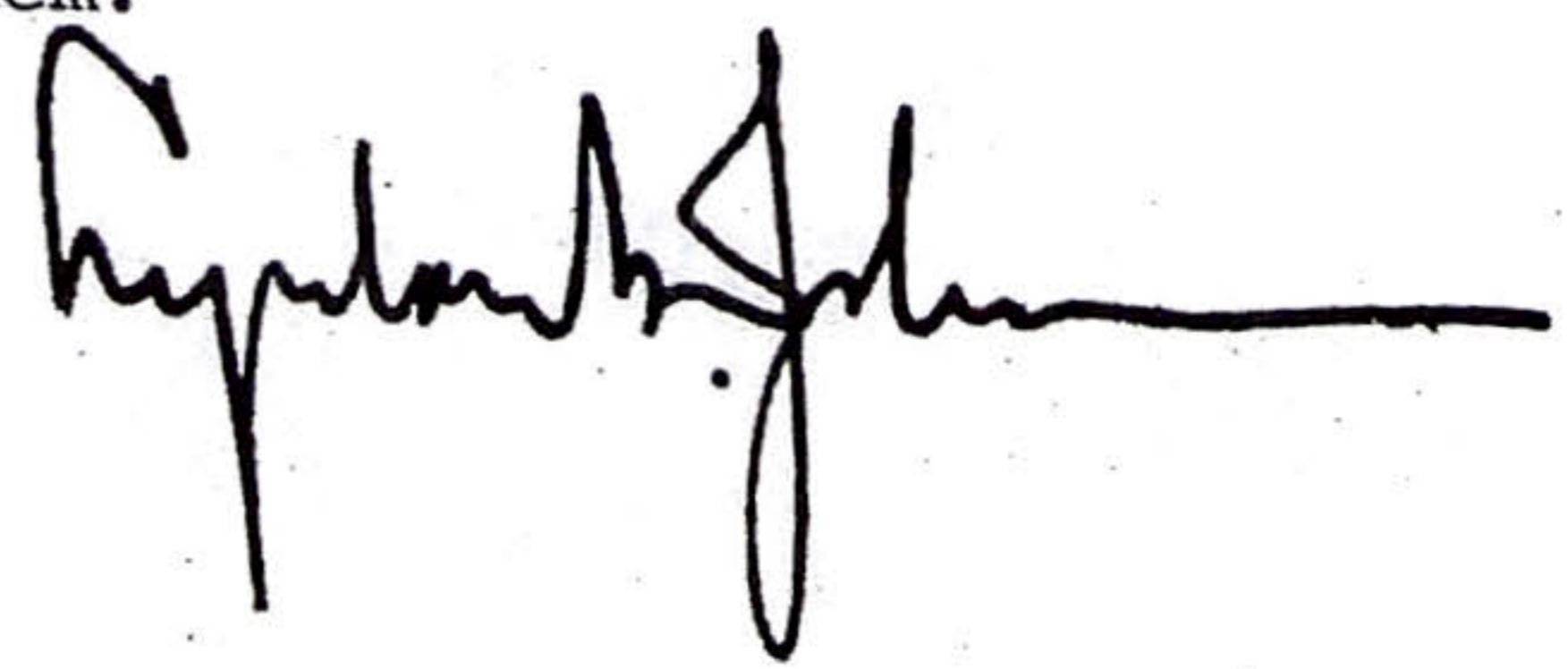
First, important user charge measures requested in my budget are now pending before the Congress. These proposals involve diverse activities of the Federal Government. Their passage would add \$326 million in user charge receipts. Transportation user charges alone -- for air, highway, and waterway transportation -- would add \$245 million.

I again call on each of you to give user charge legislative proposals your continuing active support.

Second, the responsibility for reviewing and revising administrative user charges is a continuing one. These charges should reflect the costs of providing service: if costs rise, user charges should be increased; if costs fall, user charges should be reduced.

I again ask you to keep administrative user charges current.

User charges are an essential element in responsible Federal fiscal management. I am determined that user charges in this Administration will be as comprehensive and current as our efforts can make them.





THE SECRETARY OF COMMERCE
WASHINGTON 25, D.C.

May 21, 1966

EXECUTIVE

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Eno

Center for
Transportation

MEMORANDUM FOR THE PRESIDENT

FROM : The Secretary of Commerce

SUBJECT: Transportation User Charges

The first step and key to Congressional action on the Transportation User Charges requested by the Administration is Wilbur^x Mills.

In a discussion with him in connection with plans to transmit the Highway Safety Program, he appeared amenable to the idea of transferring the 1 percent auto excise tax (\$200 million) into the Highway Trust Fund as requested to finance both Highway Beauty and Highway Safety. But he appeared generally negative on increased transportation user charges.

Meanwhile, Under Secretary Alan Boyd has talked recently to a number of key people in industry, including Harold Hammond of the Transportation Association of America; Stuart Tipton, President of the Air Transport Association; and Bill Bresnahan of the American Trucking Association. From industry sources we have the following:

Air Transport Association and railroads apparently agree that the present 5 percent air passenger tax should be held as is rather than increasing to 6 percent (\$31 million) as proposed by the Administration. They agree on the Administration's request for a 2 percent air cargo tax (\$6 million) to be reviewed after two or three years, and the Administration's proposal to eliminate present two cents a gallon aviation gas tax. Industry expects that Mills will act on the 2 percent aviation cargo tax without hearings and use some other tax bill as a vehicle for action rather than the Administration's user charge bill.

The Transportation Association of America meanwhile has invited a number of general aviation people to meet next week to explore the possibility of an agreement on a general aviation gas and jet fuel tax. (Administration has proposed a 4-cents a gallon tax, plus other changes, for a net increase of \$4 million.)

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Industry reports that Mills will do nothing at all on the proposed water user charges this year. (Administration requested \$7 million increase.)

Industry also reports that Mills will not act on highway user charges. This is the biggest item in Administration's request--\$197 million through increased diesel fuel taxes and graduated use taxes on trucks.

Industry further reports increased sentiment for repeal of the Byrd "pay-as-you-go" provision of the present Highway Act. Senator Russell Long, now Chairman of Senate Finance Committee, has favored repeal.

The House Public Works Committee earlier this week approved the Highway Act of 1966 with Interstate Highway authorizations for the five years fiscal 1968 through 1972 in the total amount of \$20.8 billion. This is \$4 billion more than requested by the Administration. Nearly \$3.4 billion of this increase is due to increased cost estimates. Another \$630 million increase is due to design changes.

These increased authorizations could not actually be spent so long as the Byrd amendment, limiting expenditures from the Highway Trust Fund to estimated revenues, stays in the law. The action by the House Public Works Committee therefore increases pressure on the Ways and Means Committee and the Administration to provide extra revenues to the Highway Trust Fund. But the action also increases pressure for repeal of the Byrd amendment, particularly if increased revenues are not forthcoming. Repeal of the Byrd amendment, along with the increased authorizations, would obviously have an enormous impact on the budget and on the economy in general. Presently, apportionments of highway funds to the States are limited by revenues available; without the Byrd amendment there is no limit except the authorizations.

Meanwhile, the Highway Safety bills are moving in both House and Senate Committees. Because of the delay by the House Ways and Means Committee on transfer of the auto excise tax to the Highway Trust Fund, however, the Public Works Committees may have to approve the Highway Safety bills with General Fund financing.

I have suggested to Charlie Schultze that these matters be discussed with Mills as soon as possible. He and Joe Fowler plan to see Mills early next week.


John T. Connor

(Summary Attached)
cc: Fowler and Schultze

SUMMARY

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Center for
Transportation

<u>Administration request</u>	<u>Amount</u> (in millions)	<u>Prospect</u>
Increase air passenger ticket tax to 6%	\$31	Negative
Air freight tax at 2%	\$6	Favorable
General aviation fuel tax at 4%	Net \$4	Doubtful
Repeal commercial aviation gas tax	Minus \$4	Doubtful
Waterways fuel tax at 2 cents a gallon	\$7	Negative
Increase diesel fuel tax and apply graduated use tax on heavy trucks	\$197	Negative