

UNITED STATES GOVERNMENT

# Memorandum

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

DATE: APR 25 1969

SUBJECT: UMTA Legislation

In reply  
refer to:

FROM : Acting General Counsel

TO : The Secretary

Attached is the Urban Mass Transportation Administrator's proposed urban transportation legislative package implementing the program which was discussed with you earlier this week. The package consists of a bill, section-by-section analysis, and a program justification and includes the following features:

1. An urban transportation trust fund, to finance programs through 1982, out of the auto excise which would be held at 5%;
2. Authority to extend capital improvement assistance directly to private transit companies on their application;
3. A loan program (interest free for up to ten years) for advance acquisition of rights-of-way and excess lands adjacent to rights-of-way;
4. Program authorizations of: 1971, \$300 million; 1972, \$400 million; 1973, \$600 million; 1974, \$800 million; and 1975-1982, \$1 billion a year;
5. Relocation assistance provisions paralleling the highway program;
6. Public hearings as a prerequisite to action on certain grant and loan applications;
7. Authority to obligate funds as authorized with subsequent liquidating appropriations (contract authority);
8. A discretionary fund (15% of total authorizations) for use in States approaching their statutory ceilings on amounts of assistance; and
9. A study of alternative revenue sources and long-range program requirements, to be completed within three years.

Eno


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Transportation



The package has been circulated for comment to the Assistant Secretaries, Mr. Baker, and Mr. Turner. The following comments have been received:

- Mr. Cherington believes that reliance on a 12-year auto excise is a mistake; that the use of the excise is inappropriate (except to get things started); and that it will produce strong opposition from auto manufacturers. He approves the study of alternative revenues but believes the excise should end in three years, at which time Congress would have to (1) continue the excise, (2) adopt an alternative funding source, or (3) revert to general fund financing. He also questions whether the bill should be transmitted to BOB without first discussing the financing proposal with ranking Ways and Means members. (See attached memo.)
- Mr. Baker has the following comments:
  - (1) He agrees with the above comment of Mr. Cherington.
  - (2) He does not believe we should seek contract authority. He does not disagree in principle with the concept but believes it is a tactical mistake since it will invoke the opposition of all elements opposed to "back-door" financing.
- Mr. Turner favors an approach which would not establish a separate trust fund but would add the auto excise to the highway trust fund. Mass transportation programs, rapid transit or bus, would then be financed from the highway trust fund if local authorities wished, and when the projects would reduce automobile congestion on highways. (See attached memo.)
- The Office of Congressional Relations believes that the program will encounter Congressional resistance, particularly over the establishment of the trust fund, contract authority and the continuation of the auto excise.

If you wish to transmit the proposal in its present form, you should sign the attached letter to Mr. Mayo. If changes in the bill are desired to accommodate any of the foregoing comments, we will make them as expeditiously as possible.

  
R. Tenney Johnson





April 25, 1969

MEMORANDUM FOR THE SECRETARY:

I believe that it would be a mistake to send over the Urban Mass Transportation Program in its present form, involving 12-year reliance on the auto excise tax. Not only do I believe that the auto excise tax is an inappropriate source of funds (except to get the program and trust fund started) but this provision will almost certainly lead to strong opposition by the automobile manufacturers.

It is fine that the bill as drafted provides for a study to explore alternative means of financing, but as drafted there is no assurance that such alternatives would be found or adopted. This in turn would mean continued reliance on the excise tax.

I believe that a preferable solution would be to run on the auto excise tax for 3 years and then to provide for a vote by the Congress on continuing the auto excise tax, adopting alternative sources of funding or reverting to general funds.\*

PAUL W. CHERINGTON

Paul W. Cherington

cc:

Mr. Beggs  
Mr. Villarreal  
Mr. Baker  
Mr. Johnson  
Mr. Tidd  
Mr. Schwartz

\*Even this limited use of the auto excise tax might well be checked out with Mills and Byrnes before they hear of it from other sources; viz, before the program goes to the Bureau of the Budget.

PWCherington:arb

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APR 16 1969

FHWA PROGRAM FINANCING PROPOSAL

UPTA

Proposal: To augment existing revenues accruing annually to the Highway Trust Fund by an amount equivalent to a five percent Federal excise tax on new automobiles; added revenues to be used to finance all highway improvement programs now funded from the general funds and to reimburse part or all of the costs of certain urban mass transit facilities.

Explanation: The Federal excise tax would be maintained at a five percent level. Collections would be committed to the Highway Trust Fund. Resultant revenues (about \$1,100 million per year) would be used to finance the following programs currently funded from the general funds of the Treasury:

1. State and Community Highway Safety Programs
2. Motor Carrier Safety Programs
3. Highway Beautification Programs
4. Forest Highway Program
5. Public Lands Highway Program

In addition, automotive excise tax revenues will be made available to finance all or part of the costs of providing urban mass transit facilities when these conditions are met:

- a. The mass transit facility serves the same portion of the urban areas as does an Interstate highway route for which future improvements are also proposed.
- b. Location and design provision for both the transit facility and the highway facility are based on the urban area's comprehensive urban transportation planning process.
- c. Analysis developed within the context of the comprehensive planning process shows that the cost of providing the Interstate highway facility is reduced because portions of the future travel demand are served by the mass transit facility.
- d. The portion of the mass transit project costs to be provided from Highway Trust Fund revenues does not exceed the Interstate highway costs thus avoided.

Excise tax revenues not otherwise used in the programs mentioned above would remain available for financing added Federal-aid program costs occasioned by cost increases and additional attention being devoted to safety and environmental considerations.

This proposal would increase the likelihood of timely completion of the Interstate System and yet provide support for complementary urban mass transit facilities. At the same time the proposal is equitable to highway users, taxing them to support those Federal programs from which they benefit.