

File
/ISTEA

THE WHITE HOUSE
WASHINGTON

March 4, 1997



ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: Gene Sperling

SUBJECT: Secretary Slater Memo on ISTEA

The Administration's \$175 billion ISTEA reauthorization proposal is undergoing final interagency clearance. The process has gone relatively smoothly, and we should be ready to transmit the bill in 7 to 10 days, in keeping with Secretary Slater's commitment to Congress.

Because of the importance of this bill, I have asked Secretary Slater to summarize for you the major issues it raises and the choices it reflects. I want to be sure, first, that you are comfortable with the positions the Administration is taking in its bill. Second, I want you to have an opportunity to offer additional ideas and comments on the ISTEA reauthorization, while we still have an opportunity to respond.

Key issues (in addition to the overall funding level, as set in your FY98 budget) are:

(1) the adequacy of 6-year funding for Administration priorities: welfare-to-work (\$600M); state infrastructure banks (\$900M) and other innovative financing (\$600M); congestion mitigation and air quality, or CMAQ (\$7.8B) and safety (approximately \$3B). *(See budget table comparing ISTEA and ISTEA 2.)*

(2) the balance, in terms of funding, between traditional programs (roads, bridges and transit) and newer programs, primarily environmental protection *(see "Other Views" and "Administration Strategy" in Slater memo).*

(3) the formula for allocating federal transportation funds to individual states *(see "Administration strategy" in Slater memo).*

(4) With regard to the Amtrak reauthorization, which Secretary Slater flags, the discussions between DOT and OMB are on course. We expect to transmit our Amtrak reauthorization bill by the end of next week.

_____ Approve Administration's ISTEA Reauthorization Proposal

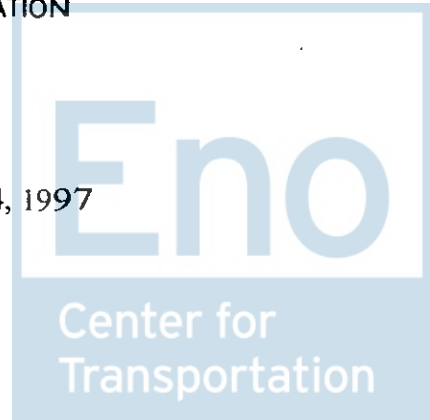
_____ Disapprove

_____ Need additional information



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 24, 1997



MEMORANDUM FOR THE PRESIDENT

FROM: RODNEY E. SLATER *RES*

RE: THE NATIONAL ECONOMIC CROSSROADS TRANSPORTATION
EFFICIENCY ACT (NEXTEA)

The Intermodal Surface Transportation Efficiency Act (ISTEA), which authorized \$157 billion in highway, transit, and safety programs over a six-year period, expires at the end of FY 1997. The reauthorization of these programs gives us a unique opportunity to ensure that transportation investment, the single largest federal program apart from defense and entitlements, focuses on achieving vital national goals and on preparing our economy and our communities for the challenges of the 21st century.

I am writing to request your approval of a comprehensive reauthorization proposal which we have developed with OMB and with other White House offices and Cabinet agencies. Our proposal, the National Economic Crossroads Transportation Efficiency Act (NEXTEA), expands on your Administration's successful efforts to build long-term prosperity. NEXTEA has also been designed to advance a broad range of national priorities highlighted by the Administration, such as improving safety and lowering health care costs, protecting our environment, speeding welfare recipients' transition to work, and bringing common sense to government's operations.

Attached is a summary of NEXTEA's major policy initiatives and how they can help us to achieve these goals, as well as a draft budget detailing proposed authorization levels. I am testifying before the Senate and the House this week on the subject of reauthorization, and hope to deliver the Administration's proposal at that time, so we can lead the debate that is unfolding.

Background: The Intermodal Surface Transportation and Efficiency Act of 1991

Responding to concern about the condition of our infrastructure and its impact on the economy and national competitiveness, the 1991 ISTEA legislation authorized record levels of federal highway and transit investment. But ISTEA did more than just provide additional resources: it revolutionized the U.S. transportation program by recognizing that, beyond

building roads and mass transit, Federal investment must also improve productivity, preserve our environment, protect safety, and strengthen communities. And ISTEA boldly reshaped the Federal program -- both in terms of dollars and process -- to reflect those goals.

We have made good on ISTEA's promise, and on your call to "Rebuild America." Working with Congress, over the past four years we have raised infrastructure investment by more than 20 percent over Bush Administration levels. These investments have already paid off, with substantial improvement in conditions and performance on both highway and transit systems. In addition, we have effectively implemented the progressive features of ISTEA. With DOT encouragement, states have used the power to shift funds among different categories. We have implemented the inclusive, results-oriented planning process required by ISTEA, bringing new stakeholders -- environmentalists, freight interests, community activists -- to the table. And we have made a success of ISTEA's environmental programs, which in FY 1996 supplied over \$1 billion for projects that help states and localities achieve Federal air quality goals.

DOT Outreach Efforts

In the past year, DOT conducted 14 regional hearings and over a hundred focus groups to help us develop an Administration reauthorization proposal. We heard many different people -- both transportation professionals and others -- and a lot of different ideas. But one point of consensus did emerge -- that ISTEA is working, and that we should build on its foundation as we shape a 21st Century transportation system. Our NEXTEA proposal reflects this core idea.

Other Views

As you know, ISTEA has been popular with urban interests including mayors and public transit advocates, environmentalists, preservationists and community activists. State views are more complex, as the country is split between so-called "donee" states that benefited from ISTEA formulas and "donor" states that receive back less than the full amount of their gas tax contributions to the Highway Trust Fund. States of the Northeast, which includes many large donee states, are supporting continuation of ISTEA, and especially its formulas. Donor states including Virginia, Florida, California, and others have founded a coalition, "STEP 21," to push a program that guarantees 95% return on gas tax collections. Traditional highway interests like the Highway Users Federation and the American Trucking Association want to roll back ISTEA's multi-modal and progressive features.

Despite their differences, these interests all support a strong Federal program. By contrast, a few Governors and Congressmen (Senator Mack, Representative Kasich, and Governors Voinovich, Wilson, and Engler) have voiced support for a radical devolution approach that would cut the Federal gas tax to two or three cents (excluding the 4.3 cents for deficit reduction) over the next few years.

Administration Strategy

The reauthorization bill is likely to be one of the major pieces of bipartisan legislation in this Congress. In developing our NEXTEA proposal, our goal has been to assure that the Administration can play a leadership role in the debate -- unlike the Bush Administration, which was effectively excluded when ISTEA was being developed.

As indicated above, many substantive issues in the debate will be driven by resources -- particularly the growing balances in the Highway Trust Fund. Last year, the House passed a bill to take the transportation trust funds off budget by a 2-to-1 majority. This legislation will likely pass again this session. The Senate is under pressure to follow suit, or to find other strategies to spend out the trust fund balances. You have heard from mayors, governors and others urging that the Administration support high authorization levels. As you may recall, this issue was resolved during the budget process, after an appeal from Secretary Pena, by committing to authorization levels higher than anticipated year-by-year obligations. This puts us in the position of proposing to increase authorizations over ISTEA, but may prompt some criticism that actual spending levels will fall short. To this point, our position in the budget process -- that the authorization levels give room for transportation investment to increase in the event the economy performs well -- has been positively received by most constituencies.

The substance of our NEXTEA proposal builds on the foundation laid by ISTEA and links the Federal program more closely to Administration priorities. As detailed in the attached summary, our proposal contains a variety of new elements -- incentives for technology deployment, innovative finance tools, a dedicated fund for welfare to work transportation services and bigger resources for environmental protection. But we have also been mindful of the need to maintain credibility with traditional transportation interests and committee and subcommittee chairs -- particularly in light of the resource constraints discussed above. Further, our proposed formulas have been shaped to walk a fine line between the warring parties: as drafted, they recognize both the principle of equity and also fairness for Northeastern ISTEA donee states.

AMTRAK

One policy issue that has not yet been fully resolved has to do with Amtrak. The Department's NEXTEA proposal supports all surface transportation modes, including intercity passenger rail. For the first time, states and localities will have the ability to use federal transportation funds to participate in intercity rail passenger and freight projects. Amtrak reauthorization is included in the legislation as a clear statement that rail passenger service must be an integral part of our 21st century intermodal system. I believe NEXTEA should ultimately include Amtrak reauthorization in order for the Administration to lead the debate on this central aspect of our transportation future.

The Department's Amtrak reauthorization proposal fully funds Amtrak out of the Highway Trust Fund and enables Amtrak to become eligible for certain flexible funds previously limited to highways and transit. We also have suggested an approach which would convert federal operating assistance for Amtrak into capital which would allow commitment of much higher funding numbers under applicable scoring rules.

OMB has indicated that additional review of the Amtrak legislation will be necessary, and we are continuing to work with their staff. I would urge that appropriate Amtrak reauthorization legislation be submitted to Congress as quickly as possible. Given Senator Lott's interest in this subject, it is likely that Congress will pass Amtrak legislation in this session. During your first term, this Administration has consistently supported Amtrak. By submitting an Amtrak legislative proposal soon, we can continue to lead the debate to ensure a visionary and intermodal surface transportation system for the 21st century.

I am confident that our NEXTEA proposal will position the Administration as a major player in this debate. Your leadership is essential to move forward this important legislation, and we will keep your staff apprised of opportunities for involvement.

attachment

SUMMARY: USDOT NEXTEA PROPOSAL

Investing for Trade, Jobs, and Economic Growth

Responding to concern about the condition of our infrastructure and its impact on the economy and national competitiveness, the 1991 ISTEA legislation authorized record levels of federal highway and transit investment.

We have made good on ISTEA's promise and on your call to "Rebuild America." Working with Congress, over the past four years we have raised infrastructure investment by more than 20 percent over Bush Administration levels. We also have completed construction of the Interstate Highways, and have designated the National Highway System, a network of roads most vital to our economy and national security.

As approved by OMB, NEXTEA builds on this success while helping us to move towards a balanced budget. It would authorize \$174 billion for surface transportation programs from FY 1998 through FY 2003, a nine percent increase over ISTEA. The proposed authorization levels would sustain core programs such as the National Highway System, maintenance of the Interstates, and bridge reconstruction.

As you said in his recent State of the Union address, "America is once again the most competitive nation and the number one exporter in the world." That is partly due to the growing efficiency of our freight system, which has cut costs by taking advantage of such advances as intermodal shipping and "just-in-time" deliveries. Therefore, we propose to continue these productivity improvements by making intermodal and rail freight facilities eligible for federal aid under certain circumstances.

With the success of NAFTA and GATT, we have seen a tremendous growth in north-south trade. To make the most of this opportunity, we also propose new programs to improve our border crossings and to invest in major trade corridors.

Bringing Innovation to Infrastructure Finance

The federal government alone cannot meet all of our infrastructure needs. In response to your January 1994 Executive Order on infrastructure, we launched a broad innovative finance initiative targeted at cutting red tape to speed construction projects and attracting new resources, especially private capital, to infrastructure investment. The 74 projects approved through this pilot program started an average of two years early and attracted \$1.2 billion in investment beyond that available through conventional financing. We since have made these strategies part of our routine way of doing business.

We already have begun the next step, the State Infrastructure Bank (SIB) program, which uses federal seed money to leverage private and nonfederal public funds in 10 pilot states. Under NEXTEA, we want to expand the SIB program by opening it to all states and to establish a Federal Credit Program for projects of national significance, such as California's Alameda Corridor.

Investing in Research and Technology

Technology offers another strategy for maximizing federal investment and improving system performance. In many cases, technology can provide additional capacity at lower monetary and environmental cost than new construction. Therefore, we propose making technology investments eligible for funding under all major investment categories. In addition, we propose a new incentive program for states and localities to deploy Intelligent Transportation Systems (ITS) in ways that ensure they are fully-integrated and regionally and nationally-compatible in order to maximize their long-term benefits.

Maximizing Flexibility to Shape our Transportation Future

We have taken maximum advantage of the tremendous flexibility ISTEA afforded state and local decisionmakers to use federal funds in ways that best meet their communities' special transportation needs. The Department's NEXTEA proposal goes the next step by including all surface modes. For the first time, states and localities will have the ability to use federal transportation funds to participate in intercity rail and bus projects. I believe Amtrak reauthorization must ultimately be included in NEXTEA in order for the Administration to lead the debate on this central aspect of our transportation future.

Moving from Welfare to Work

Among the barriers faced by those making the transition from welfare rolls to payrolls is access to jobs, training, and support services such as day care. Poverty and federal welfare eligibility rules mean that few welfare recipients own cars, and existing public transit often provides inadequate connections to job and training centers.

Therefore, we propose a six-year, \$600 million program to support flexible, innovative transportation alternatives, such as vanpools, to get people to where the jobs are. This program will be closely coordinated with other assistance that will be provided to states and localities working to meet the special needs of the welfare population.

Since transportation and construction jobs are among America's best-paying, we want to open opportunities in these fields for welfare recipients and other disadvantaged people. We propose to increase incentives for states and localities to provide job training in conjunction with federally-funded technology and construction projects, and to enable them to offer hiring preferences to welfare recipients and residents of Empowerment Zones and Enterprise Communities.

Enhancing our Environment

Air quality has improved steadily in recent years, the result of cleaner cars and other strategies targeted at cutting pollution. In 1990, 140 million people lived in areas that violated the standard for ozone, a smog precursor. Today, only 64 million live in such areas

in spite of increased travel. Continuing that progress in the face of the growing travel generated by a growing population and an expanding economy requires that we strengthen our environmental mitigation efforts.

NEXTEA continues our support of the successful Congestion Mitigation and Air Quality Improvement Program, which targets funds to transit, traffic flow improvements, and alternatives such as ridesharing. It also sustains our commitment to such well-received programs as Transportation Enhancements (which funds bicycle paths, vegetation planting and other environmentally-friendly projects), Recreational Trails, and Scenic Byways.

Improving Safety and Controlling Health Care Costs

The human cost of transportation deaths and injuries is immeasurable. But accidents are also a huge burden on our economy. Motor vehicle crashes alone cost our economy more than \$150 billion annually, including \$11 billion paid directly by taxpayers for medical care and to make up lost tax revenues.

Improving transportation safety can help to control these costs. The challenge we face is to increase safety even as travel increases. Under NEXTEA, we propose incentives to stem drunk and drugged driving and to reward state and local government efforts to increase safety belt use. In all safety areas, there will be a new emphasis on aggressive, performance-based management focused on results, not process. We not only will provide higher funding but also greater flexibility to shift those funds to programs with the highest safety payoffs.

Revitalizing Communities

As you have said, we must do more "to revive and empower poor urban and rural neighborhoods." Transportation empowers isolated communities by providing access to jobs, markets, education and health care, and by attracting new businesses to locate in disadvantaged areas. We propose to continue the Administration's strong commitment to both urban and rural public transit. In addition, we propose to strengthen the role of urban and rural decisionmakers under the cooperative planning provisions pioneered by ISTEA.

Conclusion

As this summary suggests, transportation touches all aspects of American life. It is about much more than asphalt and concrete: it is about *people*, and about how government can best meet their needs today, and to assure opportunity tomorrow.

ISTEA was a landmark in that it recognized that transportation investment must support other national goals. Our proposal for its successor meets the needs of the American people by refining its programs to meet the challenges of the new century -- challenges to build our economy, improve Americans' safety, preserve our environment, and deliver cost-effective, common sense government.

ISTEA REAUTHORIZATION PROGRAM PROPOSAL
(Dollars in Millions)

	Total ISTEA	Total ISTEA 2
Highway Infrastructure		
National Highway System	21,000	26,534
Interstate Maintenance Program	17,000	26,534
Surface Transportation Program/TE	23,900	34,771
Flexible Highway Infrastructure Safety		3,000
Interstate Transfer	960	
Interstate Construction	7,200	
Minimum Allocation	8,003	
Donor State Bonus	2,832	
Hold Harmless	6,495	
90% of Payments	1,600	
Wisconsin	30	
Ferry Boats	100	
Demos	7,261	
NHS Corridors	248	
Bridge Program	18,100	15,874
Cong. Mitigation/Air Quality Impr. Program	6,000	7,800
Interstate Reimbursement	4,000	6,000
Recreational Trails Program	180	42
Scenic Byways Program	80	90
ITS/ITI Integration Deployment	659	600
FHWA Research & Tech. Programs	87	1,566
Federal Lands	2,600	3,150
Tax Evasion	45	30
Congestion Pricing		84
Bureau of Transportation Statistics	90	186
Emergency Relief Program	600	600
Miscellaneous Trust Funds		42
High Speed Rail	775	
Truman-Hobbs Bridge		102
Woodrow Wilson Memorial Bridge		400
Appalachian Highways		2,190
State Infrastructure Banks		900
Integrated Safety Planning		300
Gateway Border Crossing Pilot Program		270
RSPA Strat. Planning R&D & Intermod. Res.		60
Credit Reform Program		600
Other	45	
Budget Compliance	(2,557)	
FHWA Inflation in 2003*		537
Transit (with inflation in 2003)		
Formula Capital	19,077	23,933
Discretionary Grants	12,422	5,776
FTA/Other		838
Safety		
Operations and Research (w/ '03 Inflation)	465	893
Highway Traffic Safety Grants (no infl in '03)	1,151	1,386
Motor Carrier Safety Assist. Pgm Grants (infl in '03)	537	603
Subtotal ISTEA Programs	156,985	169,282
ADDITIONAL ISTEA PROGRAMS		
TRANSIT (with inflation in 2003)		
WMATA		250
RAIL (with inflation in 2003)		
AMTRAK Capital (HA)		1,344
NECIP (HA)		1,205
AMTRAK Operating (HA)		2,073
OTHER AGENCY ROAD PROGRAMS		3,213
Subtotal Additional Programs		8,085
TOTAL BA/CA (less MTF)	156,985	177,325
Total less other agencies	156,985	174,112

