Eno
Center for
Transportation

# REAGAN DEVOLUTION:

## The Real Story of the 1982 Gas Tax Increase

81-19606

THE WHITE HOUSE
WASHINGTON

12/22/81

TO: Don Regan

FROM: MARTIN ANDERSON *mca*

( ) ACTION

(XX) FYI

In view of our current policy discussion on "Reagan Federalism," I thought you might be interested in the White Paper he issued in February, 1976.

## RONALD REAGAN ON THE TRANSFER OF FEDERAL PROGRAMS AND REVENUE SOURCES TO STATE AND LOCAL GOVERNMENTS

The question of the proper division of functional responsibility for government programs between the federal government and the states and communities is one that has been with us since the beginning of our country. Always a controversial issue, it has become increasingly important during the last few decades as the size and scope of federal intervention in state and local affairs has grown at an alarming rate.

This growing centralization of program control and tax revenues in Washington, D.C., has distorted our federal system and altered adversely the relationships among the levels of government. The result has been diminished individual freedom, a decrease in the responsiveness of government to the needs of our people, and a spreading stain of waste, inefficiency, corruption and profligacy that threatens the fiscal solvency of our nation.

A little over 20 years ago, President Dwight D. Eisenhower recognized the dangers of the course we were taking. Responding to demands for a reappraisal of our federal system from Governors' Conferences, national and state legislators, the first Hoover Commission, civic groups and others, he established -- three months after he assumed office -- the Commission on Intergovernmental Relations. Its task was to conduct an intensive study of national-state-local relationships -- the first official undertaking of its kind since the Constitutional Convention in 1787.

In his message to the Congress on March 30, 1953, he observed:

> "...our social rights are a most important part of our heritage and must be guarded and defended with all our strength. I firmly believe that the primary way of accomplishing this is to recommend the creation of a commission to study the means of achieving a sounder relationship between Federal, State and local governments."

more--more

The Commission, which had 25 members, including such distinguished public figures as Marion B. Folsom, Oveta Culp Hobby, Clark Kerr, Allan Shivers, Alan Bible, Wayne Morse, Brooks Hays, and Hubert Humphrey, submitted its report in June, 1955, concluding that we should:

* Leave to private initiative all the functions that citizens can perform privately.

* Use the level of government closest to the community for all public functions it can handle.

* Utilize cooperative intergovernmental arrangements where appropriate to attain economical performance and popular approval, and

* Reserve National action for residual participation where State and local governments are not fully adequate, and for the continuing responsibilities that only the National Government can undertake.

The report was enthusiastically accepted by the Eisenhower administration, but its attempts to enact legislation and work out details of implementation were frustrated by a reluctant Congress.

Now, more than 20 years later, we are seeing the very things happen that President Eisenhower, the Commission on Intergovernmental Relations, and others warned us would happen unless we curbed the power imbalance that was growing between the federal government and the state governments.

The time is past for merely curbing the growth of the power of the federal government, we must now begin to reverse the flow of power to Washington. We must begin to strengthen the states' capabilities to act, to provide for the people the kind of responsive, efficient government that only a government body close to the people can provide.

What I propose is nothing less than a systematic transfer of authority and resource to the states, to take programs now being run by a distant bureaucracy in Washingto

more--more

and transfer them to the state and local levels, along with the federal revenue sources to finance them. Bringing these programs home where they can take on a more human scale would give us more responsive government -- something that anyone who has ever tried to complain or appeal to the bureaucracy in Washington knows we badly need.

The federal programs that I believe should be carefully considered for transfer to the states (along with the federal tax resources to finance them) are those which are essentially local in nature. The broad areas that include the most likely prospects for transfer are welfare, education, housing, food stamps, Medicaid, community and regional development and revenue sharing. These programs represent approximately one-fourth of the current activities of the federal government. At 1976 budget levels they represent a potential transfer of approximately $90 billion.

Of course, not all of the hundreds of programs included in these broad categories would be transferred; we might find that, after careful study, some should remain at the federal level. But I am confident that we will find that most of them would be more appropriately located at the state and local levels, that they would be more responsive to our needs at those levels, and that they would be run far more efficiently. While it is likely the more worthwhile programs would be retained essentially as they are, and others modified, some -- of dubious value to a particular state or locality -- could and probably would be dropped.

Programs that are national in nature, or that are handled by trust arrangements outside the general revenue structure should not be transferred. In addition to the obvious ones -- Social Security, national defense and space -- this group would include Medicare and other old-age assistance programs; the enforcement of federal law; veterans' affairs; certain aspects of agriculture; energy; transportation and the environment; the TVA and other multi-state public works projects; certain types of research; and possibly others.

Few would want to end the Federal government's role in setting national goals and standards. And no one would want to rule out a role for Washington in those few areas where its influence has been important and essential: crash efforts such as the Manhattan and Apollo projects, and massive self-liquidation programs such as the Homestead Act and the land-grant colleges. And, certainly the Federal government must take an active role in assuring this nation an adequate supply of energy.

more--more

The systematic, phased transfer of some federal programs and federal revenue sources could save the taxpayers money. As federal programs were transferred to the states, federal revenue sources, sufficient to finance the programs, would be transferred at the same time. The amount of federal resources transferred should be more than enough to fund the programs transferred, making possible a net tax reduction for individuals and families. There are two basic reasons why this can be expected.

The first is the elimination of the "freight charge". When the taxpayer's money is sent to Washington, counted, then doled back to the states with the regulatory strings of the Washington bureaucrats attached, some of it is lost in the process. We don't know precisely what this "freight charge" is for any particular program, but regardless of whether it is five cents on the dollar, 10 cents, 25 cents or 50 cents, it is clear that the taxpayers pay the bill.

The second is the increase in efficiency that would occur when administrative responsibility passes from federal hands to state and local hands. My experience in California, and that of others elsewhere demonstrates how arbitrary and ever-changing federal regulations can inhibit even the most strenuous efforts to achieve economy and effectiveness in state government. Freed of the dead hand of federal regulation, state and local budgets offer the potential for considerable economies. Again, we don't know what the precise savings will be, whether they will be five percent or 50 percent, but we do know that there would be savings.

Some states might increase the scope of some of the transferred programs, others might be able to eliminate parts of programs that do not effectively solve local problems. In some cases they may be able to phase out entire programs. There is a tendency on the part of Washington Establishment to think that what is good for one state is good for all, and to give the same programs to each of us whether or not we need it or want it. These reductions would be another source of potential tax savings.

Looking at the "bottom line" for the American taxpayer -- how much he pays in total in federal, state and local taxes -- there is no doubt in my mind that a systematic transfer of federal programs to the state and local level would result in a lower tax bill for individuals and families.

The amount of that tax reduction will be determined by the amount of "freight charges" saved and by the degree of economies achieved. Even a small savings

more--more

in each category would make possible a substantial tax reduction for each and every one of us.

The tax systems employed by state and local governments vary widely from state to state -- both in the kinds of taxes used to raise revenue and in the level of taxation. These tax structures were developed over long periods to fit each particular state's situation. The nature and level of these state taxes also reflects the high level, and the progressive nature, of the federal income tax.

During the transfer process both federal revenues and federal programs would be transferred to the states and communities at the same time. As the federal taxes paid by the citizens of a state declined, the revenue flowing to the state and localities in that state would increase. During the transfer the size and scope of the programs would remain unchanged.

Our states now use a variety of taxes to finance their programs -- including alcohol taxes, tobacco taxes, sales taxes, income taxes, excise taxes and lotteries. Many states have a sales tax or an income tax, and they may well choose to continue them. Others do not have such taxes. Indeed, some have constitutional provisions prohibiting such taxes. There is nothing in the transfer concept which would require these states to have either a sales tax or an income tax.

Today there are federal taxes on liquor and federal taxes on cigarettes amounting to almost $8 billion a year as well as other excise taxes which could be turned over to the states in part, or in full, as part of the transfer.

Approximately one-third of federal revenues come from the federal personal income tax. A portion of this tax, presently paid by the citizens of all our states, could be earmarked and kept in each state instead of making a round trip to Washington and then coming back minus the "freight charges".

This is not a new or untried idea. Since 1924, part of the federal estate tax has been set aside and left in the states.

During this intergovernmental transfer of revenue-raising capability from the federal level to the state and local level the overall incidence of taxation on our citizens should remain at least as equitable as it was before the transfer. The greater the extent to which we can transfer programs that properly belong to the states and communities, the more we can reduce the tax burden on individuals and families.

more--more

The implementation of such a transfer program will not be easy. It has taken us many decades of Washington's usurpation of political power from the states and communities to get us into our present mess, ~~many years of bureaucrats writing the thousands of regulations that bind us as the threads that bound Gulliver;~~ many years of spending billions of dollars of our money in ways that were unnecessary and unresponsive to our needs.

Here is an outline of the steps that I believe will be necessary to get our federal system back on the right track.

First, we must reject the idea that wisdom only flows from the elected federal officials and appointed bureaucrats in Washington. We must turn to the people of this country, particularly at the state and local level, and enlist their energy, their talents and, yes, their sweat, to work with a new Administration in a joint effort. The job of untangling the snarled ball of federal programs that I have named will require the efforts of thousands of people, the brightest and wisest people from labor, from business, from the professions, from state and local governments, from the universities and from the federal government itself. The job will be time consuming, it will be frustrating and at times we will be discouraged -- for the entrenched interests in Washington are powerful and tenacious

But the job can be done. One thing I discovered during my eight years as Governor of California was that when the people want something done the legislators and the bureaucrats might not see the light, but they certainly can be made to feel the heat.

Second, we must clearly understand the nature and operation of the programs before we can transfer them in an equitable and efficient manner. Federal program sometimes have a way of evolving into something never envisaged by their initial proponents. Some have grown so rapidly and haphazardly, (such as the food stamp program) that Washington doesn't even have a clear idea of how many people are receiving benefits.

When I was a newly elected Governor in 1967, one of my first actions was to tap the talents of the people of California, setting up task forces to study the operations of our state government and make recommendations to me for specific improvements. They came up with more than 1,800 recommendations, we implemented some 1,600 of them, and the people of California were the beneficiaries.

more--more

One of the first priorities of a new federal administration should be to call on the talents of the people of this nation -- to serve on national commissions or task forces -- and to come up with specific action recommendations to the President within the first 12 months of his administration. Their recommendations would include identification of particular programs or parts of programs to be transferred; the kinds of federal taxes that should be eliminated and moved back to the states and communities; a timetable for each transfer; transfer priorities; suggested state and local tax structures that would ensure an equitable tax incidence; and guidelines to make sure that people receiving benefits from the programs would not have their benefits reduced or interrupted.

Third, the administration should incorporate the task force recommendations into detailed legislative proposals that can be incorporated into the State of the Union message to the Congress and a subsequent legislative program that would begin the return of power from the bureaucrats to the people.

If the Congress acts responsibly, we should be able to start transferring programs well before the second year draws to a close. Of course, any programs that do not require Congressional approval could be acted on much earlier.

If the Congress reacts instead with more of the old politics -- and that is always a possibility -- we will go over their heads and take this issue once again to the people. And if the people approve, we will get the job done.

The financial cost of government is what the government spends, not what it raises in taxes. Today the federal government is spending approximately $76 billion more a year than it takes from us in taxes. It borrows the difference. If you were to make up a list of how much money the federal government was taking from each of the states and compare it to the cost of the federal programs received by the states you would quickly see that the federal government somehow provides us with $76 billion of programs that we apparently don't have to pay for. But we all know that the irresponsible borrowings of today will either have to be paid for in the future by us, or by our children. The "something-for-something" myths of the old politics are forever gone. As someone once said, "There is no such thing as a free lunch".

Whether we pay in future personal tax increases or in the more insidious tax of inflation, which cuts the value of our savings accounts, our pensions and our life insurance, as well as our paychecks, one thing is certain -- we will pay.

more--more

An integral part and precondition of any major effort to rearrange intergovernmenta relations to a more human scale is the balancing of the federal budget. The "debt gap" has now reached a dangerous level, and we must begin now to reduce and then eliminate it entirely. We must do this systematically -- on the one hand restraining the growth of federal spending, and on the other hand encouraging the sound, stable growth of our economy and the accompanying growth in federal revenues. The example of the near-bankruptcy of New York City clearly shows that this is no longer something we should do: it is something we must do.

The "balance-of-trade" in terms of taxes flowing from the states to Washington, D.C., and federal programs functioning in these states varies widely across the country. Many states send much more money to Washington than they receive back in programs. Other states more-or-less break even, and some manage to actually get more back than they send. This basic fiscal relationship could be maintained in the context of the program to transfer federal programs and resource back to the states and communities by utilizing some form of bloc grants.

I don't pretend that what I have proposed is a complete blueprint that will spell out every action we should take during the next five to 10 years, nor can I forecast precisely in what way the programs will become more responsive to our needs or exactly how much our personal taxes will be lowered. No, these proposals are only a starting-point, but before we can start it is necessary for us to agree on the basic policy principles that should guide our future actions.

The principles I have spelled out here are, I am convinced, sound. Their implementation is necessary if we are to preserve and improve the America we know today.

This is not just a program for Republicans, it is a program for all of us. Leading Democrats are already considering the same basic idea. In September, 1975, Ted Van Dyk presented a paper entitled, "An Open Letter to the Democratic Party: The Need for a New Domestic Agenda", to an assembled group of national Democratic leaders. It contained the following proposal:

> "Surely, in an era when people desparately seek accountability and responsiveness from the nearest level of government, we should reconsider any concept which would seem to move in the other direction. Rather than collecting tax monies from states and localities, and then sending them back, shouldn't

more--more

the federal government instead return this authority -- and responsibility -- to state and local officials directly accountable to their own constituents?"

I hope their answer is yes. There are no easy answers to hard problems, and this task will require the efforts of us all --liberal and conservative, Republican, Democrat and Independent.

Of course, there will be howls of anguish from what one New York Times columnist calls "the intellectual hit-men", the Washington bureaucrats, the old-style politicians and the pundits who take more pleasure in destroying an idea than in working to create a solution to an immensely difficult problem. There will be wild, irresponsible charges that increase in frequency and shrillness as we move closer to the election.

We will all have to live with these, but I am convinced that the desperate attacks of the old politics will fall on the deaf ears of a people who have learned some hard political lessons during the last 15 years.

In the final analysis they will ask: What is the alternative? Does anyone have a better idea?

To the extent that we can systematically transfer appropriate federal programs and resources back to the states and communities we can accomplish these things:

1) Increase the responsiveness of government to our needs;

2) Save the "freight charges" on the money we now send to Washington;

3) Make government programs more efficient and more effective;

4) Reduce or eliminate those programs which are not needed, and

5) Lower our overall tax bill.

Washington now has more political power and authority than it can handle. It is time to trim the excess power of the federal bureaucracy, and to give it back to the states and communities where it rightly belongs.

2/8/76

CLASSIFICATION

UNCLASSIFIED

TRANSITION BRIEFING BOOK

TREASURY INITIATIVES AND ISSUES

NOVEMBER 15, 1980

Department of the Treasury

UNCLASSIFIED

CLASSIFICATION

ECONOMIC POLICY

TAX POLICY

## AIRPORT AND AIRWAY TRUST FUND AND AIR USER TAXES

### Issues

The Trust Fund and the air user tax revenues dedicated to it expired as of October 1, 1980. Issues are: 1) should they be reinstated; 2) should taxes be increased for noncommercial aviation and reduced (in the future) for commercial aviation; and 3) should all of the cost of the civilian use of the airway system be paid for by civilian users.

### Background and Status

In 1970 the Congress instituted a Trust Fund financed by air user excise taxes, and by general fund revenues if needed. The Fund was to pay for Federal aid for airports and the airways system. In 1971 the Congress deleted most airway costs from the expenses paid for from the Fund. The result was a buildup of the Fund to $3.7 billion as of the beginning of fiscal 1981. The Fund expired and the air user taxes expired or were reduced as of September 30, 1980, having been extended for 3 months after the original June 30 expiration date. The fiscal 1981 revenue loss is $830 million.

The President proposed continuation of the Fund and user taxes for 10 years and use of some $1 billion a year of the Fund to pay for airway maintenance and operation. Since noncommercial aviation is contributing less than a quarter of the air costs allocable to it, the President also recommended an increase from 7 cents a gallon to 10 percent of the retail price for the tax on fuel used in noncommercial aviation, and a 6 percent retail sales tax on new planes and avionics for noncommercial aviation. Ways and Means voted a 5 year extension of the Fund and taxes with a reduction of the passenger ticket tax from 8 percent to 5 percent in 1982. Senate Finance voted a one year extension. Both committees voted for minor changes in the taxes for noncommercial aviation. These bills were not brought to the floor because there was strong support for drastically reducing the ticket tax.

### Interested Agencies and Their Position

DOT has been the lead agency in suggesting ways to obtain more revenue from noncommercial aviation and arguing for financing more of the operation and maintenance of the airway system from the Fund.

### Treasury Position

Air user taxes are especially appropriate for financing aid to airports and the airway system. The President's recommendations reflect our position.

### Action Required

The one-year extension voted by the Senate Finance Committee is the preferred course of action at this time. This will give the Congress time to discuss at length the level of user taxes needed.

### Treasury Action Officer

Drafted by John Copeland
Cleared by Emil M. Sunley
November 13, 1980

# FINANCING FEDERAL AID TO STATES FOR HIGHWAYS

## Issues

(1) Should Federal aid to States for highways be increased; (2) what proportion of excises used to pay for such aid should be paid for by different users of the highways; (3) should the Highway Trust Fund be operated on an accrual or cash basis; and (4) should the Fund be made permanent.

## Background

The Highway Trust Fund financed by highway user taxes was originally established in 1956 and in 1978 was extended through 1984. The Trust Fund is evaluated on an accrual basis. About 75 percent of the $7 billion of annual revenue comes from the 4 cents a gallon tax on motor fuels. In the 1978 extension, the Department of Transportation (DOT) with Treasury review was required to make studies of the allocation of highway costs between different classes of users; Treasury was required to study the administration and compliance aspects of highway user taxes. The final reports are not due until 1982 with preliminary reports in 1980 and 1981.

While the Fund has a cash balance, it is in the red on an accrual basis. In view of the current financial status of the fund, and the interest of the Public Works Committees in spending more for highways, there probably will be a program next year asking for higher taxes. Some may try to delay tax increases by running down the Fund's cash balance, now $12 billion.

## Interested Agencies and Their Position

DOT is the key agency. They have been considering raising annual user tax revenues to $13 billion by 1985 .

## Treasury Position

Treasury is monitoring DOT tax proposals to see that they are administrable, particularly proposals for a tax on trucks based on weight/mileage.

As long as the Fund has a limited life, accrual accounting should be retained. The limited life for the Fund also has required the Congress to periodically reassess the need for extension. This feature of the system should also be retained.

## Action Required

The Treasury has to complete the report required by the 1978 Act. Review of the report being done by DOT also is required. DOT decisions for new spending require evaluation as part of fiscal planning.

## Treasury Action Officer

Drafted by John Copeland
Cleared by Emil M. Sunley
November 13, 1980

Union Oil Company of California
Union Oil Center, Los Angeles, California 90017

Claude S. Brinegar
Senior Vice President

November 28, 1980

Mr. Darrell Trent
Director, Office of Policy
Coordination
Office of the President-elect
1726 "M" Street, N.W.
Washington, D.C., 20270

Dear Darrell:

Attached is the report of the Transportation Issues Task Force. I look forward to discussing it in detail with you and your associates.

Sincerely,

Claude S. Brinegar
Senior Vice President

CSB:kb
Attachments

CC: John Snow

Determined to be Administrative Marking
Date 1/11/06 By SMD

~~CONFIDENTIAL~~

November 1980

REPORT OF THE TRANSPORTATION ISSUES TASK FORCE

This report presents the recommendations of the Transportation Issues Task Force to the incoming administration of President-elect Reagan. Attachment A lists the members of the Task Force. The report is divided into four sections:

I General comments and policy principles.

II Issues of major importance before the Department of Transportation.

III Possible budget reductions.

IV Some comments on appointments.

We have not considered issues that may arise in, or be related to, the Maritime Administration, because it is part of the Department of Commerce.

## I. GENERAL COMMENTS AND POLICY PRINCIPLES

America's transportation system is, with a few notable exceptions, reasonably "fast, safe and efficient," a goal specified in the 1966 Department of Transportaation Act. Our highway and aviation system is the world's best, and our rail system, after decades of neglect, is on its way to providing improved service and to earning better returns. There remain major deficiencies in our large urban transportation systems, but these are more a reflection of urban problems than of deficiencies in transportation policy. While there will always be an agenda of transportation issues before the Department, by and large, the system serves our nation, its economy, and the national security quite well.

The major issues currently before the Department of Transportation can be grouped into three categories of questions:

1. How much federal regulation should there be in the rail, motor carrier, and airline industries?

2. What transportation issues warrant federal financial programs? What principles should guide these programs?

3. What principles should guide the Department's programs on transportation safety, environmental protection, and efficient energy use?

During the past decade, questions of regulatory policy occupied much of the Department's time and energy. These questions have now been largely answered by the enactment of bills that have taken major steps toward deregulating the rail, motor carrier, and airline industries. The Task Force believes that these new statutes are positive steps forward, and that they should be implemented without interference.

The questions in categories 2 and 3 provide the major near term issues facing the new administration--especially questions about the funding levels, the allocation principles, and the sources of funds for the federal highway, aviation, and mass transit programs. Also, there are major questions about the level of future federal aid for Conrail, Amtrak, and certain rail programs.

In reaching its recommendations, the Task Force agreed to be guided by the following four major policy principles:

1. The nation's transportation system should, as much as possible, be provided through the competitive forces of the private sector, or, if the private sector is inappropriate, by state or local governments. Direct federal financing of transportation investments or operations should be limited to those few cases where there is a clear and widely accepted requirement for concerted action in an area of high national priority, and where the private sector or state and local governments are obviously incapable of adequately meeting this requirement.

2. When federal expenditures are used to finance transportation investments or operations, these expenditures should be recovered from the beneficiaries in a manner that is appropriate to the costs incurred on their behalf, unless widely accepted national policy directs otherwise.

3. Economic regulation of interstate transportation should be held to a minimum. A particular effort is needed to eliminate restrictions on intermodal ownership.

4. All federal transportation programs, including those designed to enhance safety, environmental protection and efficient energy use, should be subjected to benefit/cost tests to assure that they benefit the nation as a whole. These programs should also be examined to assure that they are positive contributors to the nation's productivity.

We strongly urge the Secretary to follow these principles in dealing both with existing issues and in formulating long-term transportation policy.

## II. ISSUES OF MAJOR IMPORTANCE BEFORE THE DEPARTMENT OF TRANSPORTATION

The issues discussed next are organized alphabetically by transportation mode. We have not attempted to deal exhaustively with each issue; rather, we have identified the issues, highlighted any special problems that we are aware of, and made recommendations that are consistent with the policy principles.

### Aviation

1. An immediate issue will be congressional consideration of a new Airport Development Assistance Program (ADAP), to replace the one that has lapsed. The past programs, financed principally through a passenger ticket tax, have generated trust funds that were supposed to be used mainly to increase capacity and to reduce congestion at the nation's airports. Because of legislative and other restraints, it has been difficult to find effective investments for these funds. Balances in the trust fund have grown steadily. The Task Force recommends that this program's effectiveness be examined critically. Any future program should be recast and probably reduced in scope. Possible revisions include:

   a. Shift funds away from hub airports, which can raise adequate funds locally, and into more funding of FAA operations and of the en-route navigation systems. The Senate bill proposed that the 72 largest airports be dropped from ADAP. This "defederalization" is a good start.

   b. Recognize that general aviation, especially its jet and turbojet aircraft, is putting an increasing burden on the airport and airways system without paying its share of the costs. Perhaps additional funds can be raised from general aviation and some funds may be used to upgrade "reliever" airports, thus adding to capacity at the congested hub airports.

   c. Reduce the tax rate on airline tickets from 8%, to the level which, together with general aviation's share, is needed to support a more modest program.

2. Questions are being raised about the reliability and future capabilities of, as well as the future needs for, the FAA's national enroute navigation system. The Secretary should promptly appoint an independent, highly-qualified "Blue Ribbon Commission" to thoroughly examine this issue.

3. There is a serious threat of a nationwide strike or slowdown by the air controllers ("PATCO") in March 1981. This requires immediate attention by the Secretary and the FAA Administrator, including possible standby emergency legislation. This strike threat also touches on the larger issues of public employee unions and their activities.

4. Airline deregulation has raised some collateral issues with which the administration must deal. The three major ones are:

a. CAB "Sunset." The scheduled 1985 CAB "sunset" should be moved up to, say, January 1982 to avoid a drift back toward regulation. Most residual functions are already scheduled to be transferred to other government entities. Decisions must be made regarding the remaining functions, which may also be discontinued rather than transferred. Congress and the airlines probably would favor a step-up in the sunset schedule.

b. The deregulation act included a "labor protection" section to cover employees who lost their jobs as a result of the statute. Under President Carter, the Labor Department has been considering the use of a "national hiring hall," an approach that the Task Force believes is inappropriate. The new administration should see that this approach is quickly headed off.

c. Peak-hour congestion at a half dozen of the nation's major airports has created a serious problem of how to allocate take-off and landing "slots," especially to new carriers. This problem is the most serious at Washington's National Airport, which is owned and operated by the federal government. A good solution there could set the pattern elsewhere. The past allocation method (by an industry scheduling committee, with antitrust immunity) is inconsistent with anti-trust policy applicable to unregulated industries. The Task Force agrees that the proper allocating method is one that uses market principles, perhaps along these lines: Announce an 18-month program to phase-in an auction system. Initially, the airlines and other users would be assigned slots equal to, say, 75% of prior usage, with the remaining 25% sold at auction. Six months later the auction would cover 50%, then 75%, and then 100% at the end of the phase-in period. Special set-aside categories for such groups as general aviation and commuter airlines could be provided within the auction system. And auctioned as well as allocated slots could also be bought and sold by their owners.



5. A better process is needed for negotiating international air agreements. A major problem has been that non-aviation issues, often of a diplomatic nature, unrelated to the general concept of open-market competition have become entangled in the negotiations. As a result, U.S. airlines' and travelers' interests have not been adequately represented. The Secretary of Transportation should have more authority, the Secretary of State less, and the CAB's role should be phased out. As early as possible, the Secretary of Transportation should prepare a new statement of international air principles to be issued by the President. This statement is needed promptly, because negotiations are scheduled with Japan in early 1981.

Coast Guard

The Coast Guard has proposed to purchase several 270-foot cutters at a cost of over $500 million from a firm that was not the low-cost bidder. The solicitation may have been unclear and the low bidder may have been excluded on technical grounds. There is a possibility of lawsuit and of congressional investigation. The Secretary should undertake a prompt review to determine if new bids are needed to clear up this controversial procurement.

Highways

1. The Highway Trust Fund, the financing method instituted by President Eisenhower to ensure completion of the Interstate Highway System, will be reexamined by Congress in 1981. Although the Fund does not expire until 1984,

its current rate of expenditures exceeds its collections. The Task Force endorses the continued use of a Trust Fund as the proper method to support the federal aid highway system; it recommends that the tax structure, currently four cents a gallon, be modified appropriately so that the Fund remains solvent and each class of beneficiaries pays the share of costs incurred on its behalf. It may be necessary to shift to some form of tax "indexing."

2. A method should be developed to bring the Interstate Highway Program to completion in the next few years. The system now is nearly 95% complete. Most of the remaining 5% should not be completed. Some of the yet-to-be built portions would be extremely expensive; and some of the short sections in urban areas are too expensive and too disruptive to be worth building.

3. Maintenance of the Interstate System is lagging, and portions of the system, some now 20 years old, should be upgraded to modern standards. The Task Force agrees that there is a federal responsibility to see that the Interstate System is properly maintained. This will require a new program and new direct funding (replacing some current "back door" financing of maintenance).

4. The current federal aid program, apart from the interstate and primary systems, has too many categories and should be simplified. The need for federal support of the various categories (there are over 20) should be studied. Some should probably be dropped, with a trade-off made to the states in return for assuming federal responsibility for interstate maintenance.

5. To facilitate the use of the interstate system in an economically efficient way, uniform truck size and weight limits should apply throughout the system. States wishing to allow larger trucks should be permitted to do so provided they pay for the added capital and maintenance costs.



## Mass Transit

The grant program of the Urban Mass Transit Administration (UMTA) will probably not be reauthorized by Congress during the current lame duck session. Consequently, this will be a high-priority legislative issue in early 1981. This gives the new administration an excellent opportunity to make needed major revisions in the program. The Task Force offers the following guidance for next year's legislation:

1. The overall level of the program can be reduced significantly.

2. Past federal support of new fixed rail systems has been largely a wasted effort. New rail starts should be discouraged.

3. Operating subsidies for rail systems discourage local efforts at good management. Where possible, they should be eliminated.

4. UMTA's capital support to upgrade established rail systems is generally worthwhile, and should be continued at a modest level.

5. UMTA's program for the purchase of transit buses is a good one and should be encouraged. The program should be expanded to include some bus maintenance in order to avoid the growing practice of deferring maintenance and simply applying for new capital funds.

6. Demonstration grants have largely been politically motivated and they have been failures. The program should be greatly reduced in scope.

7. More of the formula funds, as apart from direct grants, should be allocated on the basis of transit ridership. This change was in the 1980 proposed legislation.

8. Section 13(c) of the basic UMTA legislation imposes extremely restrictive labor provisions on all recipients of UMTA funds. This causes two serious problems: (a) it adds significantly to the operating costs of the existing system; and (b) it hinders the introduction of more efficient, flexible technologies--such as jitneys--that are not bound to present labor unions. An immediate effort should be made to change this section so that efficient operations and technological innovations that improve system operations are encouraged.

9. A most difficult problem is the issue of how to provide access to public transportation for the handicapped. The Rehabilitation Act of 1973 made it unlawful to exclude handicapped persons from public services financed

by the federal government. To conform with this law, DOT issued regulations in 1979 requiring that all subway stations, even existing ones, be equipped with elevators, that rail cars be rebuilt to accommodate wheelchairs, and that transit buses be supplied with lifts. According to a recent study by the Congressional Budget Office, these regulations have a net public cost of some $38 per trip by the handicapped. This is generally recognized as excessive, and has led to congressional efforts to provide lower cost alternatives. Most proposals include options for local provision of specialized alternative transportation. Some spokespersons for the handicapped seem to oppose this approach. A compromise permitting local options is needed and should be incorporated in the new legislation.

National Highway and Traffic Safety Administration

1. The National Highway and Traffic Safety Administration (NHTSA) has effectively exhausted its ability to increase automobile safety at reasonable social costs, although there may remain opportunities to improve the competence of drivers. While there is no loud clamor from the auto industry to undo NHTSA's past regulatory actions, neither does it appear that NHTSA's likely new actions would have a favorable benefit/cost ratio. All future actions should be examined carefully.

Three of NHSTA's current actions warrant early, careful study:

a. The rule on "occupant restraints" (airbags and other passive restraints) is effective in 1983. Its efficacy and public purpose should be considered carefully in order to avoid unjustifiable expenses by manufacturers and, in turn, consumers.

b. Automobile recalls have expanded many-fold in the past four years. The frequency and magnitude of recalls may have passed way beyond a reasonable cost effective limit. The criteria for recalls should be examined promptly.

c. Possibly more stringent automobile fuel-efficiency standards beyond 1985 are currently under study. With the pre-1985 standards being overtaken by market forces, it does not appear that tighter post-1985 regulatory standards--with their rigidities and inefficiencies--are now needed.

2. The issue of a federally imposed national speed limit (55 mph) has good arguments on both sides. The motor carrier industry now largely favors it, as do the safety associations. On the other hand, the emergency situation (the 1973 oil shortage) that brought it about no longer exists and the speed limit is impossible to enforce by federal means because the threat of withholding federal highway funds is recognized as "hollow." Most motorists ignore it to a degree. Data relating the existence of the speed limit to reduced fatalities are unclear because of changes in driving patterns and other variables. On balance, the Task Force favors returning authority to set limits to the states.



Rail

With the passage of the deregulation bill, near-term rail issues confronting the Department of Transportation are limited largely to questions of how much federal money various existing rail programs should receive. The Task Force recommends the following:

1. Conrail. This federally sponsored effort to develop a self-supporting private-sector rail system from the Penn Central and other bankrupt Eastern systems has been beset with difficulties. Thus far, it has required over $3 billion in federal support, and a recent settlement of the owners' claims will require another $2 billion. However, the future now looks a little better, and it is possile that Conrail will generate operating profits by 1983. Conrail has received adequate authorizations to take it through 1981, but an appropriation is required. The rail deregulation act, coupled with favorable ICC policies, should enable Conrail to reconfigure its system to maximize its market potential. Its new management should be encouraged to make these changes promptly, including the needed reductions in plant and labor force. DOT should review the need for new legislation to facilitate these reductions. The Department should also take over the U.S. Railway Association's functions that remain after the settlement with the Penn Central estate and inform Conrail that no capital funds and only minimal operating support will be available beyond 1981, and that long-term federal operations are not acceptable. The

best long-term solution, and the one with the best chance of recovering the taxpayers' $5 billion in investments, may be through an eventual sale of the system's viable parts to established profitable railroads.

2. Amtrak. The losses of this federally financed rail passenger system continue to escalate despite, or because of, increasing patronage. The present loss level is some $800 million a year, and losses in excess of $1 billion are likely within two years. By any standard, these losses are exorbitant in relation to the national purpose served by Amtrak. Many of the routes have been forced into the system by political pressures from Congress. Quick action to reduce this taxpayer subsidy sharply is strongly recommended and is possible because Congress must complete action on the next authorizations by May 15, 1981.

Most of the losses take place on sparsely used long-distance routes. It is possible to establish financial criteria, such as a maximum acceptable loss per passenger mile, that would enable the system to be rationalized quickly. Once established, these criteria should be rigidly followed. This will require congressional action, including revision of labor protection provisions now in the Amtrak statutes. If Amtrak has a long-term role, it is in densely populated corridors, such as Washington to New York and Boston, and possibly Los Angeles to San Diego. It may be possible to continue some money-losing routes if states and local areas are willing to cover the losses. Amtrak should not be permitted to use its subsidized status to engage in "price wars" or other unfair rate competition with private-sector carriers, especially the intercity bus lines. Attachment B is a good analysis of the Amtrak problem by Dr. James Miller, III, a member of the Task Force.

3. The Federal Rail Administration (FRA) is administering two programs that should be examined critically. The Northeast Corridor Program (to permit high-speed passenger service), originally funded at $1.7 billion, is now funded at $2.5 billion, and this amount is probably inadequate. The program should be examined for its overall benefits relative to its costs, and for its management structure. The second program is FRA's rail assistance program, which has some $1.5 billion available for assistance to weak (but not dying) railroads. A freeze should be put on these funds, with the entire program put

through a careful benefit/cost analysis. It is possible that it should be dropped.

4. Though not of large significance, the Alaska railroad should be sold. There is no justification for federal operation of this facility, and it appears that the State of Alaska is interested in buying it.

5. Disposition (and repair?) of Washington's Union Station will be a problem requiring more time than it warrants. The Secretary should develop a joint position with the Secretary of Interior and handle the issue quickly.

Waterways

The barge operators that use the inland waterways system have not been paying their share of the costs of providing them with navigable waterways. A small start was made in 1980 (a diesel fuel tax), and a DOT study is underway. Future charges should probably be a combination of fuel tax and river-lock fees which properly align costs imposed by users with fees paid by them. Investments in new river facilities should be subjected to a revenue test before they are undertaken.

General Issues

1. Coal slurry pipelines should not be barred by regulatory barriers erected to protect other modes, especially railroads. But neither should these pipelines receive exemptions from reasonable safety and environmental rules. There must also be a reasonable solution to the issues raised by the pipelines' water requirements and the final disposition of the water.

2. Last March DOT issued complex and controversial rules governing the use of minority businesses by recipients of its grants. This Minority Business Enterprise (MBE) program needs a prompt and thorough review by a high-level group. Parts of it may have to be suspended during the review period.

3. The Buy America provisions in existing statutes appear to be adding to the costs of the highway, airport, and transit programs without doing much to help the American economy. This level of "protectionism" may no longer be warranted.

## III. POSSIBLE BUDGET REDUCTIONS

Attachment C itemizes the approved DOT budget for Fiscal '81. The Task Force believes that major reductions are possible and recommends the following areas as good candidates:

1. Amtrak
2. UMTA (rail funds, operating subsidies)
3. Federal aid highways (other than Interstate and Primary)
4. Northeast Corridor Program
5. USRA
6. Rail Loan Guarantee Program
7. Staff reductions in Office of the Secretary and Assistant Secretaries
8. Research and Development Programs. Though not discussed in this report, it may be that these programs are much larger than is appropriate for the federal government.

## IV. APPOINTMENTS

The Task Force urges that particular attention be given to the selection of the following appointments:

1. FAA Administrator.--Because of the issues before the FAA this appointment is probably second in importance to the Secretary. The FAA Administrator must be a technically trained person, capable of managing a large organization (over 50,000 persons). He will face extremely difficult personnel and financial problems from day one on.

2. ICC Chairman.--The Chairman, as well as a majority of the commission, must be dedicated to the principles embodied in the rail and truck deregulation acts. (See Attachment D for a discussion of this issue by Dr. John Snow, a member of the Task Force.)

3. Secretary's Staff.--The Deputy Secretary, the General Counsel and Assistant Secretary for Policy should be persons of the highest possible competence and reputation. These three offices provide the major transportation policy support for the Secretary and the White House.

4. NHSTA Administrator.--This person needs many of the same skills as the FAA Administrator. The appointee must be strong enough to "manage" a large technical staff, and must be dedicated to the guidelines outlined in this report.

# TASK FORCE ON TRANSPORTATION ISSUES

Claude S. Brinegar, Chairman
Senior Vice President
Union Oil Company of California

Ray A. Barnhart
Commissioner, Texas Department
of Highways and
Public Transportation

Yale Brozen
Professor of Business Economics
Graduate School of Business
University of Chicago

Robert J. Chambers
Chairman of the Board & CEO
Nu-Car Driveaway, Inc.

Harold Demsetz
Professor of Economics
Department of Economics
University of California
at Los Angeles

Ross D. Eckert
Professor of Economics
Department of Economics
Claremont Men's College

Frank C. Herringer
Senior Vice President
TransAmerica Corporation

John D. Kramer
Secretary
Illinois Department of Transp.

Andrew L. Lewis
Trustee & Joint CEO
Redding Railroad & Trucking Co.

M.B. McGowan
President
Santa Fe-Pomeroy, Inc.

C. E. Meyer, Jr.
President
Transworld Airlines, Inc.

John R. Meyer
Professor of Transportation
Distribution and Logistics
Harvard University

James C. Miller, III
Co-Director and Resident Scholar
Center for Study of Government
Regulation
American Enterprise Institute
for Public Policy Research

Robert P. Neuschel
Director, Transportation Center
Northwestern University

Thomas C. Schumacher, Jr.
Managing Director
California Trucking Ass'n. and
President of TRED Foundation

John W. Snow
Senior Vice President
CSX Corporation

Norbert T. Tiemann
Vice President
Henningson, Durham & Richardson, Inc.

Michael Raoul-Duval
Vice President & Chief Strategic
Officer
The Mead Corporation

Stephen Sobotka
Washington, D.C.
Consultant to the Task Force

U. S. DEPARTMENT OF TRANSPORTATION

FISCAL YEAR 1981 BUDGET

($ in Millions)

| | Program Levels | Outlays |
|---|---|---|
| Office of the Secretary | $ 48 | $ 50 |
| U. S. Coast Guard | 1,867 | 1,839 |
| Federal Aviation Administration | 3,824 | 3,236 |
| Federal Highway Administration | 9,127 | 8,717 |
| National Highway Traffic Safety Administration | 279 | 267 |
| Federal Railroad Administration | 2,462 | 1,752 |
| Urban Mass Transportation Administration | 4,615 | 4,006 |
| St. Lawrence Seaway Development Corporation | 9 | -3 |
| Research and Special Programs Administration | 44 | 34 |
| Office of the Inspector General | 15 | 15 |
| Subtotal | $22,290 | $19,913 |
| Proprietary Receipts | --- | -50 |
| Total | $22,290 | $19,863 |

# DEPARTMENT OF TRANSPORTATION

## FULL-TIME PERMANENT DIRECT POSITIONS

| Administration | 1980 | 1981 |
|---|---|---|
| Office of the Secretary | 1,171 | 1,188 |
| U.S. Coast Guard | | |
| Civilian | 6,815 | 6,823 |
| Military | 39,473 | 39,487 |
| Federal Aviation Administration | 57,491 | 57,379 |
| Federal Highway Administration | 4,061 | 4,061 |
| National Highway Traffic Safety Administration | 874 | 874 |
| Federal Railroad Administration | 1,754 | 1,768 |
| Urban Mass Transportation Administration | 563 | 623 |
| St. Lawrence Seaway Development Corporation | 194 | 194 |
| Research and Special Programs Administration | 918 | 954 |
| Office of the Inspector General | 516 | 516 |
| Total - Civilian | 74,357 | 74,380 |
| Military | 39,473 | 39,487 |
| | 113,830 | 113,867 |

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 8, 1981

The President today announced the creation of a Presidential Federalism Advisory Committee to be chaired by Senator Paul Laxalt.

The purposes of the Committee are to provide for:

-- full and adequate input to him on Federal legislative proposals impacting on the states and localities;

-- advice for the Administration in implementing its federalism proposals; and

-- assistance in developing long-term policies to reverse the current trend of greater control over state and local programs by the Federal government.

The Presidential Federalism Advisory Committee also will have a Coordinating Task Force on Federalism chaired by Senator Laxalt.

The full list of Federal, state and local officials and private citizens who will serve on the Presidential Federalism Advisory Committee and the Coordinating Task Force on Federalism is attached.

## FEDERALISM ADVISORY COMMITTEE

### Governors

Governor George Busbee (D-Georgia)
Governor Scott M. Matheson (D-Utah)
Governor Lamar Alexander (R-Tennessee)
Governor James R. Thompson (R-Illinois)
Governor Pierre S. duPont IV (R-Delaware)
Governor Richard A. Snelling (R-Vermont)

### State Legislators

Rep. T.W. (Tom) Stivers (R-Idaho)
Senator Ross O. Doyen (R-Kansas)
Senator Ann Lindeman (R-Arizona)
Speaker Benjamin L. Cardin (D-Maryland)
Speaker John J. Hainkel, Jr. (D-Louisiana)
Assemblyman Dean Rhoads (R-Nevada)

### Mayors

Mayor Edward I. Koch (D-New York City)
Mayor William H. Hudnut, III (R-Indianapolis)
Mayor Margaret Hance (R-Phoenix)
Mayor Ferd Harrison (R-Scotland Neck, N.C.)
Mayor Tom Moody (R-Columbus, Ohio)

### County Officials

J. Richard Conder (D-Richmond County, North Carolina)
Roy Orr (D-Dallas County, Texas)
William Murphy (R-Rensselaer County, New York)
Sandra Smoley (R-Sacramento County, California)
Bruce Nestande (Non-Partisan-Orange County, California)
Donald L. Smith (R-Anchorage Municipality, Alaska)

### Members of U.S. Senate

Senator William V. Roth, Jr. (R-Delaware)
Senator David Durenberger (R-Minnesota)
Senator Pete V. Domenici (R-New Mexico)
Senator David L. Boren (D-Oklahoma)
Senator Ernest F. Hollings (D-South Carolina)
Senator Paul Laxalt (R-Nevada)

## Members of House of Representatives

Rep. Richard T. Schulze (R-Pennsylvania)
Rep. Richard Bolling (D-Missouri)
Rep. L.H. Fountain (D-North Carolina)
Rep. Clarence Brown (R-Ohio)
Rep. Frank Horton (R-New York)
Rep. Jack Brooks (D-Texas)

## Private Citizens

F. Clifton White
Dr. Robert B. Hawkins
C.D. Ward
Former Sen. Clifford Hansen
Former Gov. Otis Bowen

## THE COORDINATING TASK FORCE ON FEDERALISM

Senator Paul Laxalt, Chairman
Secretary Terrel Bell
Secretary Samuel Pierce
Secretary Donald Regan
Secretary Richard Schweiker
Secretary James Watt
Director David Stockman
Edwin Meese III
James A. Baker III
Richard S. Williamson
Martin Anderson
Robert Carleson
Secretary Drew Lewis

81-7976

THE WHITE HOUSE

WASHINGTON

May 27, 1981

Dear Secretary Regan:

As you may know, on April 8, 1981, President Reagan announced the formation of the Coordinating Task Force on Federalism, as well as the Presidential Federalism Advisory Committee. You are a member of both groups. I am providing you with a copy of the press release of this announcement and a copy of a statement issued by the President regarding the objectives of these committees.

Since the President has made federalism issues a key priority of his Administration, the Coordinating Task Force will play a significant role in setting the agenda for the direction and implementation of his federalism policies. I anticipate that the first meeting of the Coordinating Task Force will be scheduled within the next two weeks.

To facilitate staff coordination between your office and ours, would you please provide, by Friday of this week, the name of your staff member designated to assist you on the Coordinating Task Force. This information should be directecd to Susan Harkins of my office. Susan can be reached on 456-2771.

Thank you for your cooperation on this matter. I look forward to working with you on the Task Force.

Sincerely,

R.S.W.

Richard S. Williamson
Assistant to the President
For Intergovernmental Affairs

The Honorable Donald T. Regan
Secretary of the Treasury
Main Treasury Building
15th & Pennsylvania Ave., N.W.
Room 330
Washington, D.C. 20220

Attachments

81-8671

DTR

**MEMORANDUM FOR:** SECRETARY REGAN

**Date:** JUN 10 1981

**From:** Craig Roberts CR

**Subject:** Cabinet Meeting on Federalism

At the Thursday, June 18, Cabinet Meeting there will be a discussion of Federalism. You are a member of both the Coordinating Task Force on Federalism and the Presidential Federalism Advisory Committee. There are several economic issues or ideas that the Task Force on Federalism and the Federalism Advisory Committee may want to examine over the coming months.

1. What role should revenue sharing play in furthering Federalism? Originally, revenue sharing was proposed as a mechanism for allowing the Federal government, supposedly more efficient at raising revenue than State or local governments, to collect revenues and distribute a portion to State and local governments on a no-strings-attached basis. This would combine efficiency of collection with efficiency of spending and program operation.

In part, however, what has happened is that revenue sharing has become a painless source of revenues for State and local governments, encouraging them to relax their standards of efficiency for spending in order to take advantage of this source of revenue. What may be a more efficient alternative is to revert, in part, to the pre-revenue sharing stage and reduce the tax burden imposed at the Federal level, thereby making it easier for State and local governments to raise their own revenues directly. Each governmental unit would be free to decide what level of tax burden they wish to impose upon their taxpayers. To some extent, market principles will influence this decision because presumably no State or local government will choose to impose a substantially greater tax burden than its neighboring government competitors without the threat of interstate migration of businesses and individuals (at least as far as domicile for tax purposes is concerned).

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex |
|---|---|---|---|---|---|---|
| Surname | EDS: COMIEZ | E: ENTIN | | | | |
| Initials / Date | HEC / 6/10/81 | SE / 6-10-81 | / | / | / | |

OS F 10-01.11 (2-80) which replaces OS 3129 which may be used until stock is depleted

2. The Administration has already proposed the consolidation of a sizable number of categorical grants into about six or seven block grants. The objective of this change is to economize on the cost of the programs involved while providing State and local governments greater discretion for determining how the funds will be spent. In the near term, the cutbacks in categorical grants may result in some reduction in services rather than in compensating increases in State and local taxes. However, in the longer run increases in operating efficiencies and in the authority for State and local governments to set priorities resulting from the substitution of block for categorical grants and reductions in regulatory burdens are expected to minimize, if not eliminate, a possible reduction in services provided. The Task Force and the Federalism Advisory Committee may want to explore the extent to which categorical grants should be consolidated, what grants are included in the consolidation, and what restrictions, if any, need to be maintained.

3. What impact will the President's Economic Recovery Program have on State and local economies, government finances, and governments in their role as employers?

The President's Economic Recovery Program is expected to generate sufficient additional resources for the State and local sector to mitigate substantially, if not completely, over the long run the effects of the proposed grant reductions. By promoting faster economic growth, the Economic Recovery Program will strengthen and enlarge the potential tax base upon which State and local governments rely for raising revenues. In addition, a stronger economic base combined with lower inflation will reduce the cost of government services (e.g., welfare, unemployment-related expenses, health and medical care, and all other programs whose costs rise with inflation).

The regulatory program will also benefit State and local governments. It will reduce the costs of providing public services. Oil deregulaton will benefit most energy-rich States as they profit from the increased yields of severance taxes and royalties on energy production.

As employers, State and local governments will benefit from possible changes in the social security system. To the extent that changes reduce the benefit costs to the system and scheduled increases in payroll taxes can be pared back, those government units participating in the system will have lower employer costs. Lower payroll taxes will also reduce private employer costs, which should be beneficial for encouraging business expansion throughout the country.

4. Promoting productivity improvement is a key objective of the President's economic recovery program. Studies have shown that State and local governments need some kind of

externally provided assistance and information to sustain and support productivity improvement efforts. Some work in this area was undertaken during the last Administration. The Task Force and the Advisory Committee may want to examine further the extent, if any, to which there is an appropriate Federal role in providing assistance and information to support productivity improvement.

## NEED FOR A FISCAL/POLITICAL GAME PLAN

I. The Deficit, The Calendar and The Strategic Political Problem

- o The permanent deficit for FY 83-86 can now be firmly established as in $70-90 billion range.
- o A coherent strategy to close this deficit is the paramount policy/political problem of the Administration because:
  - o Failure to develop an early, credible and politically doable plan will result in continued financial market deterioration, persisting high interest rates, and a serious impediment to the robust economic expansion next year on which the whole policy is predicated.
  - o The appearance of drift, indecision or floundering over the next 6 months will encourage the Democrats to open a powerful referendum-type line of attack during the 1982 election/budget season: "The American economy is being ruined by the consequences of the Administration's bloated defense budget and rich man's tax bill."
- o Waiting until February 1, 1982 (FY 83 budget submission date) to address the deficit problem or, proposing a conventional remedy involving futher draconian domestic program cuts exclusively will only play into this potential Democratic comeback stategy: during the interim 5 months, the economy will be slipping into recession and the first wave of the budget cut "victims" will appear in the media. In this setting, budget cutting will get redefined in the media and public mind as "hurting people."
- o The Social Security issue will rise to the top of the legislative/media agenda during the same interregnum. In the absense of a major, high visibility pre-emptive move by the President to seize the issue, and so long as any vestige of our current Administration plan lingers on, we will be forced into a defensive position by the Democrats and suffer a large drain on our political capital.
- o At the same time, failure to piggy-back FY 83-86 budget improvement measures onto the preferred Congressional Social Security solution (inter-fund borrowing and marginal benefit changes) will shift the FY 83-86 deficit problem from dire to catastrophic.

o A conventional "wait until the FY 83 budget submission" strategy has a high probability of shattering the House coalition, demoralizing the Senate Republicans and splintering the House GOP into pro- and anti- Administration factions. The remaining budget cut targets are too near, dear and deeply embedded in Congressional politics.

II. Fundamental Elements of a Longer-term Strategy

o We must maintain continuous legislative and media dominance of the budget issue from Labor Day forward in order to:

  o Partially suppress and dilute the Social Security issue: Because of our false start and adverse current position, the higher the Social Security news profile, the greater the political costs. We need diversionary news noise.

  o Solidify and reinforce the flip-side of the budget issue: cutting government down to size rather than hurting people.

  o Remove additional budget authority, including defense, from the FY 82 pipeline before it gets locked into automatic FY 83-84 spend-out.

o We must fashion a "Reagan populism" to carry us from September through the FY 83 budget year and 1982 House elections. Without major gains in the House, the structural deficit problem cannot be solved and much of the remaining non-budget agenda will by stymied by House Democratic guerilla warfare. The House vote numbers and institutional realities are such that our only choice is between a go-for-broke knock-out punch in 1982 or prolonged combat with a bleeding bull.

o The upcoming Reagan populism phase must be designed to pre-empt the constellation of core issues out of which the Democratic come-back will otherwise coalesce. These pre-emption moves should center on:

  o A " no immediate benefit cuts" social security bail-out--with the President good shepherding the rescue.

  o A crack at selective "tax loopholes" as part of the FY 83 budget/legislative program. User fees on the rich and business can be used to supplement and enrich this theme without getting us into bad policy and philosophy.

- A prudent scale-back of the proposed defense budget--so that the pro-defense Congressional majority can be preserved, and additional attacks can be isolated to the minority Left.

- Big, splashy and continuous initiatives to keep the actual budget cutting process contained within the attack on Big Government PR envelope. This could mean an early initiative to eliminate the Departments of Energy and Education and a string of lesser agencies, big RIF's, waste strike forces, etc.---

## III. Reasons For and Contents of a Major September Offensive

- By shortly after Labor Day there will be a sufficient number of credible (e.g. CBO) budget projections around to establish the $70-90 billion deficit problem as the established truth. We will have to have coherent answers long before the FY 83 budget is due or be forced into a defensive, irresolute position. This will explode wide-open in the Second budget resolution which by law must contain FY 83-FY 84 budget projections. For the first time these will be based on the new "current tax law."

- One key to our first round budget/tax success was catching Congress by surprise in February. The Democratic House leadership will not be expecting a second big package move in September.

- The major component of such a second strike would be a big package of downward revised budget requests, including defense, for FY 82. The single vote mechanism in this case is an omnibus FY 82 continuing resolution.

- The risks are high. It would require a willingness to veto a Congressionally inspired continuing resolution that ignored the plan. Such an action could cause considerable government chaos until the House leadership blinked.

- This strategy is not worth considering unless:

    - We can sell Howard Baker and the Senate Chairman.

    - We are willing to take a significant amount of defense authority out of the FY 82 pipeline.

- o <u>Other elements</u> of the September package could include:
  - o Announcement of a major reduction in civilian employment ceilings (30-60,000) as part of a three year plan to reduce employment levels by a major percentage.
  - o Legislative proposals for the abolition of DOE, the Department of Education and selective lesser agencies. The purpose is partly to save money, but mostly to dramatize and communicate our definition of budget cutting: shrinking the size of government.
  - o Revised social security package designed to defuse the Democratic political issue, by ~~exchanging most over~~ Eschewing most near-term benefit cuts but still obtaining FY 83-86 budget gains. The latter is essential to solving the overall budget gap, but can only be achieved by willingness to consider off-beat revenue devices like ~~to~~ tobacco and alchohol tax.
  - o A stepped-up but not overdone campaign against symbolic waste via strike forces, IG actions, etc.

Extremely Confidential

# BRIEFING MATERIAL FOR

# THE PRESIDENT

September 21, 1981

## I. THE CURRENT BUDGET FACTS OF LIFE

A) Social Security Plan Dead

The President's Social Security reform plan is now dead in the water. Any effort to push it before the 1982 elections will create a mortal political threat to the Administration and the Republican party.

The House Democrats have now indicated they will block any meaningful short or long term reform plan and will seek to capitalize on the issue by transforming the 1982 election into a referendum on the Reagan-Republican threat to Social Security. This is spreading apprehension among House Republicans and Republican Senators up for re-election. It risks developing into a political cancer which will splinter and de-moralize our Congressional coalition.

We must, therefore, take decisive steps to remove Social Security from the legislative agenda through November 1982 by withdrawing the May reform plan, proposing interfund borrowing as a temporary solution, and creating a mechanism to re-forge a national consensus solution for future action.

B) Social Security Plan Failure is the Straw That Breaks the Budget's Back

The legislative demise of the Social Security plan is the straw that breaks the budget's back. In combination with the defense decision and reconciliation shortfall, the deficit gap is now beyond our ability to close -- given the budget choices available and the Democratic control of the House legislative machinery:

| | FY 83 | FY 84 | FY 85 |
|---|---|---|---|
| 1) Planned deficit...................... | 22.9 | 0.0 | 0.0 |
| 2) Unidentified savings................. | 29.8 | 44.2 | 38.5 |
| 3) Reconciliation shortfall............. | 4.1 | 6.4 | 9.0 |
| 4) Withdrawal of Social Security plan... | 6.1 | 9.5 | 13.1 |
| | 62.9 | 60.1 | 60.6 |
| 5) Recapitulation: Additional deficit threat due to lack of Congressional cooperation.......................... | 10.2 | 15.9 | 22.1 |

C) Initial Hill Reaction to COLA Delay Plan Negative

Since this measure involves so many broad constituencies (veterans, Federal retirees, railroad retirees, Social Security recipients, etc.), it can only succeed legislatively if enacted quickly -- within 30-45 days of announcement. It can also succeed only if attached as a rider to a Senate bill sent over to the House for an up-or-down, one package floor vote. If referred to House committees, it will be permanently buried with consequent political costs to the Administration but no budget savings.

Our Capitol Hill soundings indicate that if proposed as a free-standing initiative it would be difficult to add to the debt ceiling bill in the Senate, and impossible to pass up-or-down in the House.

D) Revival of the Financial Markets Now Dubious

There is little reason to expect early and rapid restoration of financial markets and a permanent, deep drop in the interest rates in the face of:

- o Retreat on the Social Security plan and the need to add-back nearly $20 billion to the deficit over FY 82-84;
- o The apparent inability to pass a COLA delay plan (in its current form) in order to hold down the FY 82 deficit and chip away at FY 83 and FY 84.

As a consequence, interest rates are likely to remain well above double digit levels for the next several years, shifting the budget even deeper into deficit:

| | FY 82 | FY 83 | FY 84 |
|---|---|---|---|
| Mid-session T-bill rate............. | 11.3% | 8.0% | 6.9% |
| Alternate path...................... | 12.0-14.0% | 10.0-13.5% | 10.0-13.5% |
| Budget impact (billions)........... | $6-10 | $7-15 | $8-19 |

E) Risk of Significant Recession Rises

The prospect of persisting financial market disorder and high interest rates have increased the odds of a significant economic contraction over the next 6-18 months. A 3 percent decline in GNP (annualized growth) would add $20-25 billion to the deficit.

F) The Impending Budget-Legislative Squeeze

Due to the lag-time between legislative action and actual reduction in cash outlays and deficit, any major efforts to reduce the FY 83-84 deficits must be completed before October 1, 1982 (start of FY 83). With defense, interest and Social Security off limits (60 percent of the budget), relatively draconian cuts in non-Social Security entitlements and discretionary spending programs must be proposed both this fall and again next winter-spring in the FY 83 budget. If proposals aren't made, nothing will happen legislatively and outlays in FY 83-84 will soar beyond reach.

The Congressional resistance level to deep cuts in these areas is high and rising. This is best illustrated by the add-ons resulting from the reconciliation bill. To get the deficit out of the danger zone in FY 83-84 would require re-capturing these shortfalls and additional program/policy reductions of $25-35 billion. This does not seem possible given the rapid political deterioration in the Congressional coalition described in the next section.

| | FY 82 | FY 83 | FY 84 |
|---|---|---|---|
| 1) Cuts requested subject to reconciliation... | 41.2 | 53.6 | 63.2 |
| 2) Cuts actually achieved.................... | 35.2 | 44.0 | 51.4 |
| 3) Shortfall: | | | |
| Mandatory entitlements................. | 2.5 | 4.1 | 6.4 |
| Discretionary authorizations........... | 3.5 | 5.5 | 5.4 |
| Subtotal............................... | 6.0 | 9.6 | 11.8 |
| 4) Shortfall as Percent of Request: | | | |
| Mandatory entitlements only............ | 6% | 8% | 10% |
| Entitlements and discretionary......... | 17% | 18% | 19% |

Examples of Congressional Add-ons:

| Item | FY 82 | FY 83 | FY 84 |
|---|---|---|---|
| Exim-Bank.................................. | 68 | 278 | 434 |
| Energy Conservation........................ | 175 | 372 | 406 |
| Interior Department........................ | 97 | 82 | 82 |
| Soil Conservation.......................... | 53 | 145 | 152 |
| Amtrak..................................... | 204 | 356 | 380 |
| EDA........................................ | 68 | 70 | 56 |
| Student Loans.............................. | 269 | 652 | 963 |
| Social Services............................ | 282 | 332 | 382 |
| Education for Disadvantaged and Handicapped | 214 | 591 | 642 |
| Child Nutrition............................ | 469 | 479 | 506 |
| Women/Infants/Children..................... | 260 | 300 | 360 |
| Low-income Energy Aid...................... | 515 | 515 | 515 |

## II. POLITICAL RISKS AND THREATS

A. The basic policy and political goals of the Administration require:

- o That the President maintain the political offensive, broad public support and the perception of success.
- o That the President dominate, shape and steer the legislative agenda and Congressional process.
- o That due to the fundamental changes in economic, defense, and foreign policy on which the Administration is premised, timely delivery of legislative results and implemented policy change is essential to avoid major real world failures (economic, foreign policy, etc.).

B. Congressional anarchy and stalemate through November 1982 is about ready to break-out -- jeopardizing all three of the above requirements.

- o House Republicans and Senators up for election in 1982 are panicked by the prospect of a Social Security referendum.
- o The prospects are low for immediate enactment of the universal COLA delay due to Senate Finance Committee weakness and House GOP resistance and opposition. The political half-life of this proposal is about 30 days.
- o Failure to achieve entitlement savings will stiffen resistance and reduce prospects among appropriations committee and pork barrel oriented Republicans for achieving the proposed FY 82 discretionary program reductions. The resulting FY 82 veto battle will further sour the environment for consideration of FY 83 proposals next spring.
- o The House Gypsy Moths (15-25) are rapidly moving toward a major assault on defense. This will splinter the GOP-Boll Weevil coalition. Without the ability to muster procedural vote majorities in the House, the Speaker and committee chairmen will recoup control of the legislative agenda.
- o Only minor budget savings in FY 82-83 are possible under the above scenario. Entitlement changes, COLA delays, etc. require positive majorities. Minor savings through sustaining vetoes are possible -- but the appropriations committees will probably box us in with higher-spending continuing resolutions.

- o Revenue increase fever will soon break-out on Capitol Hill -- first during the October debate on the second budget resolution, and most certainly with a vengeance next spring during the first resolution for FY 83. Congress is incapable of forming a coherent majority on a major new revenue measure, and probably not capable of passing one next year even if proposed or supported by the Administration.

C) The President thus faces the following political threats over the next 12 months unless a major pre-emptive move is made now to avoid them:

1) A bruising legislative battle over his defense program

2) Loss of his House coalition and inability to obtain new Congressional action on his economic program

3) Legislative and political impotence in the face of swelling estimates of FY 82 and out-year deficits

4) A major Democratic assault on Social Security unless the current plan is definitely withdrawn

5) A major tax increase-new revenue debate in the press and on the Hill that will call into question the fundamental design and premise of his economic program

6) Continued high interest rates, financial instability or a significant recession -- which will be taken as proof that the economic plan has failed and provide opportunity for the Democrats to recapture the blue collar constituencies in the 1982 elections and abort the permanent GOP re-alignment

7) Carterization of his Presidency due to the splintering of his legislative majority and popular base of support.

## III. REVISED ECONOMIC BUDGET ACTION PLAN

A. Strategic Political and Budget Objectives

- o Pull the rug out from under the Democrats on Social Security and remove this growing political cancer from the legislative debate through November 1982.

- o Forward to the Hill a legislative action plan that has reasonable prospects for re-forging House and Senate coalitions and achieving a credible success on holding down the FY 82 and out-year deficits.

- o Achieve sufficient FY 82 deficit control and out year progress to calm financial markets, while not forcing such onerous cuts on Congress that coalition support breaks down or GOP 1982 election prospects are seriously compromised. This strategic aim is to gain time to tackle the out-year deficits after the 1982 elections;

- o Pre-empt the emerging Congressionally-inspired legislative agenda and minimize prospects for bruising political struggles over:

  - o The defense budget
  - o New revenue-raising measures.

B. Revised Action Plan

1) Social Security Pre-emption

Proposal: Withdraw May reform plan, restore minimum benefit to couples under $7,000-10,000, request inter-fund borrowing to tide over until 1983, appoint Blue Ribbon to reforge national consensus on social security solution.

Rationale: Original plan was fair and justifiable, but threatens to drag social security system and well-being of 36 million Americans into divisive, partisan struggle. Our basic social insurance commitment to retired Americans is too important and essential to national consensus to be subjected to partisanship and a campaign of fear. Invite Speaker and Majority leader to appoint one-third of members of Blue Ribbon National Commission to reforge consensus solution and report by February, 1983.

2) Delay Effective Date of Second and Third Installment of Tax Cut

Proposal: Delay 1982 cut from July to October 1, and 1983 cut to April, 1984. Would reduce deficit by following amounts:

| FY 82 | FY 83 | FY 84 |
|---|---|---|
| 8.3 | 9.2 | 20.7 |

Rationale: Success of tax program always required major additional budget cuts and steady reduction of the deficit. Congressional shortfalls in the first round and partisan road blocks have made the job even larger. The additional costs of servicing the inherited trillion dollar national debt at today's interest rates and spending over-runs from past legislative decisions (wheat and corn price supports, conrail litigation settlement, food stamps and guaranteed student loans) all threaten to drive the deficit higher. More time is needed to shrink government spending down to the revenues available under our tax program.

3) Delay FY 82 Defense Build-up By-90 Days

Proposal: Suggest defense be operated on a continuing resolution until January 1, to reduce FY 82 deficit by $1-2 billion in addition to last weeks announced $2 billion outlay savings.

Private Rationale: The House-passed FY 82 continuing resolution funds defense at the 1981 level ($176 billion instead of $221 billion). This is certain to extend at least until December 1, with the defense and military construction bills considered last amoung 13 regular bills. Take credit in advance for a fait accompli and add political balance to the plan.

Public Rationale: Reducing the deficit and obtaining interest rate relief is the highest immediate priority. 90 day delay in the defense spending increase will not reduce by one dollar new investment in needed tanks, planes, ships and readiness, but will cut immediate Treasury borrowing by $1-2 billion.

Note: Full $221 billion (minus DOD's cut to achieve original $2 billion outlay saving) can be obligated in last three quarters of FY 82 -- but some outlays will be pushed into FY 83.

4) Implement Following Components of Previously Planned Fall Initiative

- 12 percent across-the-board cut in discretionary appropriations request (FY 82), with savings as follows:

| FY 82 | FY 83 | FY 84 |
|---|---|---|
| 7.4 | 4.2 | 1.8 |

- New $15-20 billion in non-social security entitlements savings for FY 82-84. Ready for legislative action in early fall with following savings:

| FY 82 | FY 83 | FY 84 |
|---|---|---|
| 1.0 | 6.5 | 10.0 |

- 75,000 reduction in Federal employment over FY 82-84.

- Dismantlement of DOE and Department of Education along with numerous bureaus, commissions and advisory boards.

- o Equal percentage cut in FY 82 revenue sharing (12%) with phase-out by FY 84 on grounds that the Federal government has no revenue to share. Couple with pledge to propose tax-base return plan of at least $4.6 billion in next year's legislative program.

- o Establish target of $20 billion or 25% cut in scheduled FY 82 loan guarantee commitments to reduce Federal credit demand and interest rate pressure.

- o $74 billion marching order to Cabinet departments to reduce FY 83 and FY 84 spending plans.

5) Accelerate work of Gold Commission and ask for action plan to restore sound dollar and permanent future safeguards against new outbreak of printing press money expansion, high interest rates and financial instability.

Revenue Raising Proposals

Revenue Protecting Proposals

INFORMATION

**Date**: October 7, 1981

**MEMORANDUM FOR:** SECRETARY REGAN

**From:** John E. Chapoton
Assistant Secretary (Tax Policy)

**Subject:** Proposals to Enhance Revenues

Attached are preliminary descriptions of six revenue enhancement proposals. We sent to you yesterday descriptions of four of these proposals (those concerning completed contracts, IDB's, energy tax subsidies, and accelerated corporate tax payments). Those proposals have been slightly revised and two others, dealing with taxing unemployment compensation and modified coinsurance, have been added.

Yesterday's materials also contained our revenue protection proposals. These have not been revised.

Also, we are working with the IRS on several proposals dealing with the underground economy. These will be in final form on Tuesday.

Attachments

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | XA-Ballentine | | | | | |
| Initials / Date | JB / 10/7 | / | / | / | / | / |

OS F 10-01.11 (2-80) which replaces OS 3129 which may be used until stock is depleted

Summary of the Effect of Fiscal Year Receipts
of the Proposed Tax Law Changes

($ billions)

| | Fiscal Years | | |
|---|---|---|---|
| | 1982 | 1983 | 1984 |
| Completed contract accounting ............. | * | 3.7 | 6.7 |
| Energy tax credits ........................ | 0.1 | 0.8 | 1.2 |
| Tax-exempt industrial development bonds .. | * | 0.3 | 0.8 |
| Modified coinsurance ...................... | 0.5 | 1.4 | 1.5 |
| Unemployment benefits ..................... | 0.1 | 0.7 | 0.5 |
| Acceleration of corporate income tax payments .............................. | 2.3 | 0.6 | 0.1 |
| Total ..................................... | 3.0 | 7.5 | 10.8 |

Office of the Secretary of the Treasury
Office of Tax Analysis

October 6, 1981

*Less than $50 million.

Revenue Raising Proposals

Revenue Protecting Proposals

from Senate Budget Committee 10-7-81

REVENUES

$-billion

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1981 | 1982 | 1983 | 1984 |
| First Budget Resolution | 603.3 | 657.8 | 713.2 | 774.8 |
| Adjustments for Enacted Legislation: | | | | |
| First Budget Resolution Tax Reduction Assumption | 8.9 | 53.9 | 100.0 | 148.1 |
| Economic Recovery Tax Act, H.R. 4242 | 1.6 | 37.7 | 92.7 | 149.9 |
| Difference | 7.3 | 16.2 | 7.3 | - 1.8 |
| First Budget Resolution User Fee Assumption (none enacted) | - .2 | - 2.6 | - 3.0 | - 3.3 |
| Total Adjustments | 7.1 | 13.6 | 4.3 | - 5.1 |
| CBO Reestimates | | | | |
| Economic Assumptions and Technical Adjustments 1/ | - 3.5 | - 4.2 | - 3.1 | - 3.2 |
| Windfall Profits Tax 2/ | - 1.5 | - 5.9 | - 5.9 | - 7.2 |
| Total | - 5.0 | -10.1 | -10.2 | -10.4 |
| Current Law Revenue | 605.4 | 661.3 | 707.3 | 759.3 |

1/ Assuming the Administration Mid-Session economic forecast with Senate Budget Committee interest rates.

## POSSIBLE REVENUE OPTIONS

| | Fiscal Years 1982 | 1983 | 1984 |
|---|---|---|---|
| 1. Administration Proposal (see p. ___) . . . . . . . . . . . . | | | |
| 2. Other Income Tax Increases (see p. ___) . . . . . . . . . . . | | | |
| 3. Other Excise Tax Increases (see p. ___) . . . . . . . . . . | | | |
| 4. Deferring The Individual Income Tax Reduction, H.R. 4242 (see p.___) . . . . . . . . . . . . . . . . . . . | | | |
| 5. Senator Hollings . . . . . . . . . . . . . . . . . . . . . . . | | | |
| 6. Senator Hart . . . . . . . . . . . . . . . . . . . . . . . . . | | | |
| 7. Senator Moynihan . . . . . . . . . . . . . . . . . . . . . . . | | | |

THIS PAGE WILL BE REVISED JUST PRIOR TO MARKUP

POTENTIAL TAX POLICY CHANGES[1]
($ in billions)

| | Fiscal Years 1982 | 1983 | 1984 |
|---|---|---|---|
| Consumer Interest Deduction (excluding auto)[2] | 4.5 | 8.1 | 8.6 |
| Employer Health Insurance Limitation | 1.5 | 2.5 | 3.3 |
| Tax Half Social Security Income Above $20,000 For Singles And $25,000 For Couples | -- | 2.2 | 2.8 |
| $5,000 Home Mortgage Interest Limitation | 2.7 | 5.4 | 6.8 |
| $10,000 Home Mortgage Interest Limitation | (.8) | (1.0) | (1.2) |
| Tax All Unemployment Compensation | -- | 3.5 | 3.5 |
| Student Exemption[2] | 1.0 | 1.1 | 1.1 |
| Casualty Deduction[2] | .3 | .8 | .9 |
| DISC[2] | .7 | 2.0 | 2.8 |
| Industrial Development Bonds | .3 | .6 | 1.0 |
| Pollution Control Bonds | .1 | .2 | .3 |
| Hospital Bonds | .1 | .2 | .3 |
| Exclusion Of Interest On Student Loan Bonds | .1 | .2 | .2 |
| Foreign Tax Credit | .5 | .5 | .5 |
| Capital Gains - Timber[2] | .7 | .7 | .9 |
| Capital Gains - Coal And Iron Ore | .1 | .1 | .1 |
| Deferral Of Tax On Shipping Companies | .1 | .1 | .1 |
| Island Possessions[2] | .4 | 1.1 | 1.3 |
| Medical Insurance Deductions[2] | .4 | .4 | .5 |
| Total[3] | 13.5 | 29.7 | 35.0 |

1/ Assuming a January 1, 1982 effective date

2/ Repeal

3/ These totals are shown despite the fact that these estimates are not additive. Repealing all of those provisions would create "interactions" which alter the total. See the discussion in Section 111 of the Joint Committee on Taxation pamphlet reproduced in the Background Book.

POTENTIAL EXCISE TAX INCREASES[1]

($-billion)

| | Fiscal Years | | |
|---|---|---|---|
| | 1982 | 1983 | 1984 |
| Gasoline (8¢/gal) . . . . . . . . . . . . . . . . . | 1.9 | 2.5 | 2.3 |
| Telephone (4%) . . . . . . . . . . . . . . . . . . | .8 | 1.5 | 1.7 |
| Cigarettes (16¢/pack) . . . . . . . . . . . . . . . | 1.2 | 1.8 | 1.8 |
| Liquor ($21/gal.) . . . . . . . . . . . . . . . . . | 1.2 | 2.1 | 2.3 |
| Beer ($18/barrel) and Wine (34¢/gallon) | .9 | 1.3 | 1.3 |
| Total . . . . . . . . . . . . . . . . . . . . . | 6.0 | 9.2 | 9.4 |

1/ All tax increases shown above are double the present law rates and assume a January 1, 1982 effective date.

Background On Excise Taxes

The Federal government has instituted excise taxes during every major war since 1791. Liquor and tobacco excises have continued without interruption since the Civil War. In 1932, the Federal government imposed many new excises including a gasoline and a telephone tax. Previously gasoline taxes had been exclusively a state revenue source. With a few brief exceptions, the telephone tax has remained at 10 percent from 1932 until 1973 when it was reduced by one percent a year through 1980. It will remain at two percent through 1982 and one percent through 1985, after which it is scheduled to expire. The liquor tax of $10.50 per gallon and the cigarette tax of 8¢ per pack have been unchanged since November 1, 1951. The gasoline tax has remained at 4¢ per gallon since October 1, 1959. If these taxes were raised to be the same percentage of the retail price as when they were last changed, the liquor tax would be $18 per gallon, the cigarette tax would be 23¢ per pack, and the gasoline tax would be 17¢ per gallon.

REVENUE INCREASE FROM DELAYING THE INDIVIDUAL RATE REDUCTION OF H.R. 4242
ASSUMING THE OCTOBER 1, 1981 5 PERCENT REDUCTION REMAINS

($ billion)

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1982 | 1983 | 1984 | Total |
| 3 Months . . . . . . . . . . . . . . . . . . . . . . . . | 7.3 | 8.5 | 0.7 | 16.5 |
| 6 Months . . . . . . . . . . . . . . . . . . . . . . . . | 8.3 | 15.9 | 8.7 | 32.8 |
| 3 Months in 1982 and 6 Months in 1983 . . . . . . . . | 7.3 | 8.8 | 8.7 | 24.8 |
| 6 Months and Reduce Each Reduction to 7½% . . . . . | 8.3 | 22.3 | 24.6 | 55.3 |

BUDGET RECEIPTS BY MAJOR SOURCE, 1980-1986
(in billions of dollars)

| | Actual | Estimates | | | | | |
|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
| Individual income taxes | 244.1 | 286.1 | 306.9 | 320.8 | 340.9 | 375.3 | 402.8 |
| Corporation income taxes | 64.6 | 62.0 | 63.1 | 69.8 | 73.3 | 73.8 | 74.2 |
| Social insurance taxes and contributions | 160.7 | 187.9 | 214.2 | 238.9 | 262.7 | 295.0 | 326.6 |
| Excise taxes | 24.3 | 40.9 | 45.9 | 45.7 | 46.1 | 41.6 | 39.7 |
| Estate and git taxes | 6.4 | 6.9 | 7.5 | 6.4 | 6.3 | 6.2 | 5.8 |
| Custom duties | 7.2 | 7.6 | 7.9 | 8.3 | 8.8 | 9.1 | 9.3 |
| Miscellaneous receipts | 12.7 | 14.0 | 15.8 | 17.4 | 21.2 | 21.4 | 20.8 |
| Total | 520.0 | 605.4 | 661.3 | 707.3 | 759.3 | 822.4 | 879.2 |

## PERCENTAGE DISTRIBUTION OF ESTIMATED REVENUE BY SOURCE

(Fiscal Years)

| Source | Actual 1980 | Current Law 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|
| Individual income taxes | 46.9 | 47.3 | 46.4 | 45.3 | 44.9 | 45.6 | 45.8 |
| Corporate income taxes | 12.4 | 10.2 | 9.6 | 9.9 | 9.6 | 9.0 | 8.4 |
| Social insurance taxes and contributions | 30.9 | 31.0 | 32.4 | 33.8 | 34.6 | 35.9 | 37.1 |
| Excise taxes | 4.7 | 6.8 | 6.9 | 6.4 | 6.1 | 5.0 | 4.5 |
| Estate and gift taxes | 1.2 | 1.1 | 1.1 | .9 | .8 | .8 | .7 |
| Customs duties | 1.4 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 |
| Miscellaneous receipts | 2.5 | 2.3 | 2.4 | 2.5 | 2.8 | 2.6 | 2.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

REVENUE
Fiscal Years
($ billions)

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| First Budget Resolution | 298.2 | 363.4 | 397.2 | 447.9 | 509.0 | 603.3 | 657.8 | 713.2 | 774.8 | -- | -- |
| Actual FY 1976-80 Estimate FY 1981-86 | 300.0 | 357.8 | 402.0 | 465.0 | 520.0 | 605.6 | 662.4 | 705.8 | 759.0 | 840.0 | 923.3 |
| Revenue change (%) | | | | | | | | | | | |
| current dollars | 7 | 19 | 12 | 16 | 12 | 16 | 9 | 7 | 8 | 11 | 10 |
| constant dollars | 6 | 12 | 5 | 7 | 3 | 7 | 1 | 0 | 1 | 5 | 5 |

## Assessment of Revenue-Raising Proposals

After discussions with members and staff of the House Ways and Means, Senate Finance, Senate Budget, and Senate Appropriations Committees, it is clear that the Administration's proposal to raise $22 billion in revenue has provided Congress a rationale, a vehicle, and an excuse for opening up the tax bill.

Because of the resistance to further deep spending cuts, there is very little doubt that Congress will attempt to reduce the budget deficit by raising revenues. And rather than going through a protracted battle over a long list of controversial revenue raisers, there is a strong possibility that Congress will attempt to raise the revenue by modifying the tax bill.

If the vote were today, it is likely Congress would attempt to reduce the budget deficit by taking one or all of the three following actions:

1) Repeal the oil provisions;

2) Repeal or restrict the leasing provisions; and

3) Modify the individual tax cuts.

### Oil

In order to embarrass both Kent Hance and the Administration, Conable believes Rostenkowski will attempt to raise revenues by repealing the oil provisions. Conable believes we would then be facing the dilemma of either jeopardizing our Boll Weevil coalition or being perceived as protecting big oil. In order to avoid this, Conable thinks we should urge the Senate to act first. However, a number of Senate Finance Committee Republicans, such as Danforth, Chafee, Heinz, Packwood, and Durenberger would support repeal of the oil provisions.

### Leasing

In order to avoid a fight over oil and the individual tax cuts, Bob Dole believes we should delay mark-up on the revenue-raising package until January, in the hopes interest rates come down by then. But if interest rates have not come down by January, Dole believes the tax bill will have to be opened up. And rather than modifying the individual tax cuts and the oil provisions, Dole favors trimming back the leasing provision.

Individual Tax Cuts

In order to avoid further spending reductions in either social or defense spending, a growing number of Republicans believe the individual tax cuts have to be modified. Suggested modifications include delaying the 2nd and 3rd stages by 3 months, imposing a 3rd year trigger, and changing the 5-10-10 to 5-5-5-5-5. On the Finance Committee, Danforth, Chafee, and Heinz favor some form of modification. Senator Tower favors a 3 month delay to avoid bigger defense cuts. And Senate Appropriations Committee Republicans favor a 3 month delay in place of the 12 percent reduction in appropriations.

Revenue Reconciliation

Although no decisions have been made, Senators Domenici and Dole are considering including in the Second Budget Resolution a revenue reconciliation measure which would require the Senate Finance Committee to report out a revenue-raising bill by a date certain. Under consideration is a measure to require the committee to report out a bill by March 1982 raising between $22-$35 billion over the next 3 years.

The revenue reconciliation device has been used once before. In June of 1980, the First Budget Resolution for fiscal 1981 contained a revenue reconciliation provision instructing the tax-writing committees to raise $4.2 billion in new revenue on fiscal 1981. By December, Congress had enacted a bill raising $3.6 billion in revenue through restrictions on home mortgage revenue bonds, cash management and other measures.

Domenici intends to begin marking up the Second Budget Resolution on October 15 and begin floor debate October 25.

10/8/81

INFORMATION

Date: OCT 16 1981

MEMORANDUM FOR: SECRETARY REGAN

From: John E. Chapoton
Assistant Secretary (Tax Policy)

Subject: Possible Options for Large Revenue Raisers

Below I have listed some options for changes in the tax laws, each of which involves several billion dollars in revenue. None of the options is inconsistent with the Administration's program of improving incentives to work and save, especially if compared to an alternative such as delaying the reduction in individual marginal tax rates. By the same token, any large revenue raiser can be expected to meet substantial political opposition by those affected.

Natural Gas Deregulation and Windfall Profit Tax

Under current law, the price controls on new natural gas are being gradually phased out (terminating completely in 1985), while price controls on old gas remain permanent. Immediate decontrol would remove a major impediment to efficient resource use in the energy sector, would stimulate domestic production, and would encourage conversion by confronting users with the true replacement costs of scarce energy resources. A windfall tax to accompany decontrol would capture a portion of the revenue transfer from consumers to natural gas producers, and could make decontrol more palatable politically. Such a tax could be imposed on the difference between the market price of gas, and regulated prices under Natural Gas Policy Act of 1978.

On net, deregulation plus a windfall profits tax should raise incentives for producers, while having little effect on the supply of labor. It cannot be denied, however, that decontrol without the tax provides a greater incentive for producers.

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | | | | | | |
| Initials / Date | / | / | / | / | / | / |

Form OS-3129
Department of Treasury

Oil Import Fee or Domestic Oil Tax

An oil import fee of $3 a barrel would be a cost-effective way of reducing oil imports, thereby reducing U.S. dependence on insecure foreign energy supplies. Such a fee would encourage domestic oil production, alternative energy sources, and conservation, and would not overly burden consumers at this time because oil prices have been declining in recent months. It would raise substantial revenues, both on oil imports and from domestic oil production subject to the Crude Oil Windfall Profit tax. The fee would also roughly raise the price of gasoline by about 6 percent -- or 8 cents a gallon -- and could raise the CPI by about 1/2 of 1 percent upon adoption.

A tax on domestic oil use would raise more revenue per dollar than an oil import fee and would have the same effect on prices, but would not encourage domestic oil production. The tax would be fully borne by consumers of oil products (including consumers of products of industries that are heavy users of crude oil products). Oil import dependence would be reduced, but to a lesser degree than in the case of oil import fees. Either approach would provide a tax on consumption, and should not affect incentives to work or save.

General Sales Tax Deduction

Under current law, income, property and general retail sales taxes are deductible by itemizers, while other State and local taxes such as gasoline taxes, user fees, alcoholic beverage and tobacoo taxes are not deductible. Elimination of deductibility of general sales taxes would simplify tax laws substantially for both taxpayers and the IRS. Amounts currently claimed are often in error. Taxpayers usually use standard tax tables to estimated the amount of their sales tax deduction, but there is often little direct relationship between the amount of the deduction and the amount of taxes actually paid. For a taxpayer with $30,000 in adjusted gross income, the value of the sales tax deduction is only about $65 and is not a major factor to a State or local government in determining the rate of tax to impose.

The main effect of this proposal will be to raise average tax rates, though it will also cause a rise in marginal tax rates for some people.

Employee Exclusion of Employer Payments for Health Care

Under current law, employees are not taxed on the value of health insurance benefits provided by their employers. By reducing the tax base, the large increase in the amount of income excluded over the last three decades has been one cause of the high tax rates which apply to cash compensation and to income from savings. Moreover, the exclusion is considered to be one cause of the rapid inflation in health care costs since it encourages employees to purchase more medical care and to purchase insurance policies under which they are responsible for little or no cost of their care. Several Congressional proposals have been made to set a cap on the amount of income which can be excluded by an employee. These proposals are often combined with other provisions into a "pro-competition" health care proposal.

While elimination or reduction in the amount of excludable employer payments would raise the taxable income of workers, it would have no effect on the incentive to save, and only little effect on the incentive to work. Moreover, it would reduce some distortions in labor and consumer markets (e.g. it would reduce the consumption of medical services) and would be far preferable to delays in individual tax reductions.

Deductibility of Consumer Credit

Elimination of deductibility of interest on consumer credit beginning in 1983 would encourage purchase of durables and automobiles in 1982, while switching demand toward other types of investments in 1983 and thereafter. It would be consistent with the Administration's tax policy by reducing the "savings distortion" caused by the tax laws and decreasing the tax benefits of consumption relative to investment.

Moreover, because consumer durables produce services which are used by the household, these services are not taxed. Allowing an interest deduction for the purchase of consumer durables therefore results in a double deduction of that income from taxation.

Attachment

Revenue Gain from Revenue Raising Provisions

($ billions)

| | Fiscal Years 1982 | 1983 | 1984 |
|---|---|---|---|
| $3 per barrel oil tax (4/1/82): | | | |
| Oil import fee only | 3.0 | 7.9 | 7.5 |
| Oil import fee and domestic excise tax | 4.9 | 14.0 | 14.0 |
| Windfall profit tax on natural gas revenues from accelerated decontrol, with: (4/1/82) | | | |
| No oil import fee | 0.9 | 6.4 | 11.5 |
| $3 per barrel oil import fee | 1.0 | 7.2 | 13.0 |
| Elimination of the general sales tax deduction (4/1/82) | * | 3.5 | 5.0 |
| Inclusion in employee income of employer payments for medical expenses and medical insurance premiums: (1/1/83) | | | |
| Income tax | -- | 9.4 | 14.0 |
| Social security tax | -- | 5.1 | 7.7 |
| Total | -- | 14.5 | 21.7 |
| Elimination of the deductibility of interest on consumer credit (1/1/83) | -- | 0.4 | 3.3 |
| Total including a $3 per barrel oil import fee and domestic excise tax: | | | |
| With social security tax payments due on inclusion of income of employer payment for medical insurance premiums and expenses | 5.9 | 39.6 | 57.0 |
| Without social security tax payments due on inclusion of income of employer payment for medical insurance premiums and expenses | 5.9 | 34.5 | 49.3 |

Office of the Secretary of the Treasury
Office of Tax Analysis

October 16, 1981

Addendum:

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| Double selected excise taxes (4/1/82) | | | |
| Telephone | 0.4 | 1.5 | 1.7 |
| Beer and wine | 0.4 | 1.3 | 1.3 |
| Distilled spirits | 0.6 | 2.1 | 2.3 |
| Tobacco | 0.6 | 1.8 | 1.8 |
| Total | 2.0 | 6.7 | 7.1 |

EXTREMELY CONFIDENTIAL

BRIEFING MATERIAL
FOR
THE PRESIDENT

October 17, 1981

I. AS A STARTING POINT, THE OPTIMISTIC VIEW.

| Item | FY 1982 | FY 1983 | FY 1984 |
|---|---|---|---|
| 1) Administration's deficit targets .............. | 43.1 | 22.9 | 0.0 |
| 2) Deficit if entire September plan is adopted ... | 43.1 | 34.6 | 23.0 |
| 3) Deficit if September plan is not adopted ...... | 59.1 | 62.9 | 58.8 |

Under Extremely Favorable Economic Assumptions

- o No recession in late 1981 or early 1982
- o Average real GNP growth of 4.3%, 1982-1984
- o Inflation drops to 5.2% by 1984
- o T-bill note drops to 6.8% by 1984

II. HOWEVER, THE LEGISLATIVE OUTLOOK IS DUBIOUS.

- We need $20-25 billion in FY 1984 discretionary program cuts to achieve the 1984 deficit target. The Senate Republican leadership of the Appropriations Committee is only willing to commit to $1 billion in FY 1982.

- $27 billion of the total $80 billion three-year savings includes entitlement reforms. At least seven House Committees will have jurisdiction over parts of the package. With the breakdown of the Boll Weevil/Mainstream GOP/Gypsy Moth Coalition, the odds are high that much of this package will be buried in Committee.

- Standing alone, the $22 billion revenue enhancement package is likely to be cannibalized and drastically shrunk by special interest group pressures on the Tax Writing Committees.

III. OUTSIDE THE ADMINISTRATION, OTHER FORECASTERS HAVE MUCH HIGHER DEFICIT ESTIMATES.

Other Projections of the Budget Deficit Outlook
(fiscal years; in billions of dollars)

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| 1) Administration's September estimate (without new savings) ...... | 59 | 63 | 59 |
| 2) Senate Budget Committee 1/ ...................................... | 66 | 81 | 90 |
| 3) Congressional Budget Office 1/ .................................. | 73 | 96 | 113 |
| 4) Private Forecasts (without new savings): | | | |
| o Monetarist Forecast (Claremont) ...................... | 70 | 64 | 72 |
| o Keynesian Forecast (Wharton) ........................... | 73 | 75 | NA |
| o Townsend/Greenspan ...................................... | 67 | 72 | 55 |

1/ First Concurrent Resolution reestimated, without additional future savings

IV. THERE ARE NUMEROUS REASONS FOR THE LARGER DEFICIT ESTIMATES.

- Senate Budget Committee assumes faster defense and domestic program spend out rates.

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| Defense ........................ | 5 | 1 | 7 |
| Non-defense ...................... | 2 | 5 | 2 |
| Total ........................ | 7 | 6 | 9 |

- CBO totals assume higher interest rates and higher borrowing requirements in 1983 and 1984 (Administration base estimates assume deficit targets).

| Differences from Administration | 1983 | 1984 |
|---|---|---|
| CBO ......................... | +14 | +19 |

- A Keynesian (Wharton) model assumes higher unemployment and lower real growth.

| | 1982 | 1983 |
|---|---|---|
| Real GNP ............................ | 2.2 | 4.3 |
| Difference with Administration ....... | -1.2 | -0.7 |
| Unemployment ........................ | 8.0 | 7.7 |
| Difference with Administration ....... | +1.0 | +1.2 |

- .A monetarist (Claremont) model assumes lower growth of nominal GNP.

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| Nominal GNP ......................... | 9.8 | 10.2 | 8.9 |
| Difference with Administration ....... | -1.9 | -2.1 | -1.9 |

V. A new round of Administration options has generated lower inflation rates, lower interest rates and slower growth in nominal GNP.

Alternative Forecasts
(calendar Years; percent)

| Item | Average Annual Growth Rates (1982-1984) 1/ Nominal GNP | Real GNP | 1984 Unemployment | 1984 Inflation | 1984 91-day Bill Rate |
|---|---|---|---|---|---|
| Mid-Session Review ......... | 11.6 | 4.7 | 6.2 | 5.5 | 6.8 |
| Path A (Treasury 1)......... | 10.2 | 5.1 | 6.3 | 4.0 | 5.4 |
| Difference ............. | -1.4 | 0.4 | 0.1 | -1.5 | -1.4 |
| Path B (CEA 1).............. | 9.6 | 3.5 | 7.2 | 5.2 | 6.5 |
| Difference ............. | -2.0 | -1.2 | 1.0 | -0.3 | -0.3 |
| Path C (Treasury 2)......... | 8.4 | 4.3 | 7.8 | 2.5 | 4.8 |
| Difference ............. | -3.2 | -0.4 | 1.6 | -3.0 | -2.0 |
| Path D (CEA 2) ............ | 10.2 | 4.1 | 6.4 | 4.9 | 6.2 |
| Difference ............. | -1.4 | -0.6 | 0.2 | -0.6 | -0.6 |

1/ Calculated from end-of-year to end-of-year

VI. But these options lead to widened budget deficits in every case.

Budget Deficits Under Internal Administration Economic Paths
(fiscal years; in billions of dollars)

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| September estimate (excluding future savings) .......... | 59 | 63 | 59 |
| Internal Options: | | | |
| Option A | | | |
| Deficit .......................................... | 75 | 103 | 109 |
| Increase from published forecast ................ | +16 | +40 | +50 |
| Option B | | | |
| Deficit .......................................... | 89 | 127 | 144 |
| Increase from published forecast ................ | +30 | +64 | +85 |
| Option C | | | |
| Deficit .......................................... | 100 | 147 | 164 |
| Increase from published forecast ................ | +41 | +84 | +105 |
| Option D | | | |
| Deficit .......................................... | 80 | 108 | 116 |
| Increase from published forecast ................ | +21 | +45 | +57 |

## VII. THE BUDGETARY DILEMMA OF REDUCING INFLATION: PROGRESS WORSENS THE BUDGET.

The impact of achieving high real growth and low inflation by 1982

A) The Treasury 2 (pure monetarist) scenario: Rapid inflation progress, huge budget deficits.

- This forecast assumes both strong real growth and rapid reduction of inflation in response to supply-side tax incentives and steady reduction of money growth:

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| Strong real GNP growth | 2.8 | 5.1 | 5.1 |
| Falling inflation rate | 6.4 | 3.0 | 2.5 |

- As a consequence, nominal GNP levels are much lower than the Mid-Session forecast

| | FY 1982 | FY 1983 | FY 1984 |
|---|---|---|---|
| Mid-Session ........... | 3296 | 3700 | 4097 |
| Treasury 2 ........... | 3140 | 3425 | 3708 |
| Difference ........... | -156 | -275 | -389 |

- The resulting revenue losses exceed outlay savings from indexed programs by a factor of eight.

Changes from September base:

| | FY 1982 | FY 1983 | FY 1984 | Total |
|---|---|---|---|---|
| Revenue losses ........ | 38.2 | 77.2 | 112.1 | 227.5 |
| Outlay savings ........ | 1.6 | 8.1 | 16.3 | 26.0 |

B) The CEA 2 Scenario: Moderate inflation progress -- still serious deficit add-ons.

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| Mid-Session Inflation ............ | 8.0 | 7.0 | 6.0 |
| CEA 2 Inflation .................. | 7.5 | 6.5 | 5.5 |

o But the revenue loss from the September base path is still substantial:

| | FY 1982 | FY 1983 | FY 1984 |
|---|---|---|---|
| September base ................. | 663.2 | 706.1 | 760.0 |
| CEA 2 receipts ................. | 640.3 | 667.4 | 702.9 |
| Difference .................... | -22.9 | -88.7 | -57.1 |

o With enlarged budget deficits:

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| September base ................. | 59.1 | 62.9 | 58.8 |
| CEA 2 .......................... | 80.3 | 108.4 | 115.5 |
| Difference .................... | 21.2 | 45.5 | 56.7 √ |

VIII. Even with these large deficit estimates, the Administration's fiscal policy will have achieved major reductions in the growth of both outlays and receipts, thereby lowering the level of government and strengthening the private sector.

For example, using the optimistic Path A (Treasury 1):

| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|
| Receipts .............. | 645.5 | 671.3 | 703.3 | 769.4 | 836.1 | 894.1 |
| Outlays ............... | 721.0 | 774.0 | 812.4 | 892.4 | 958.4 | 1,017.0 |

- o Outlay growth from 1982-1987 of 7.1%
- o Receipt growth from 1982-1987 of 6.7%

This represents a major reduction from the fiscal results of the Carter years:

- o Outlay growth from 1977-1981 of 13.2%
- o Receipt growth from 1977-1981 of 14.1%

However, the unprecedented fiscal improvement brought on by Reagan Administration budget and tax policy changes still leaves an unacceptably high deficit path during the outyears.

| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|
| Deficit Projection Path A (Treasury 1) ... | 75.0 | 102.7 | 109.1 | 123.0 | 122.3 | 122.9 |

Draft Summary (#1)

LEGISLATIVE STRATEGY

FREE
PRAT "Fall Offensive"
(as of 10/18/81)

(1) Pending Appropriations Requests/Revisions

(a) Work on these would commence on an expedited basis as of Monday, October 19.

(b) The agreed objective would be a net amount of additional savings the President could legitimately and credibly say he was pleased the Congress was able to produce. Of the 10-plus requested, an acceptable amount would have to be 7-8, of which 3 would be from defense. NOTE: If individual appropriations exceed Administration requests (or specified maximums), offsetting savings must be found elsewhere.

7-8 is OK "in the noise"

(c) This would require additional contributions and effort by MH, which would be sought.

(d) The distribution of the savings among particular appropriations is less important than the achievement of the aggregate savings. Hence, the possibility of a cooperative (team-spirited) "auction" among appropriations sub-committee chairmen would be pursued.

(e) A representative of the Admin. (DS) would be available/present for the appropriations auction/negotiations. He would not be obliged or understood to speak on behalf of the President. He would, however, keep the President informed -- to avoid, insofar as possible, unnecessary differences between the Administration and the Senate Republican leadership on the Senate floor.

(f) All discussions between the Admin. and the appropriations leadership would be on the basis of mutually agreed accounting/numbers.

(g) Appropriations bills, though handled seriatim, would be aggregated by a combination of holding at the Leader's desk and/or holding by the Secretary of the Senate. This would be done to assure that the agreed aggregate would not be exceeded.

2 how to hold.

(2) Other Savings to be Part of This Package Approach

(a) In addition to the appropriations savings noted above, there must also be savings of more than $100 billion over the period FY '82 - '84.

(b) These additional savings are to be achieved principally through "entitlements" changes and "revenue enhancement" measures. (The relative emphasis among these remains to be determined.)

(c) The procedural device to be used to achieve these would be a reconciliation instruction emanating from the Budget Committee, to be included in the 2nd concurrent Resolution.

(d) The Senate Budget Committee would produce such a reconciliation instruction ASAP -- commencing within roughly 10 days. The objective would be to pass such an instruction by November 20.

(3) Relationship with the House

(a) Effort would be made to coordinate the development of this strategy with key members of the House.

(b) Levers to be used in this regard include:

- a willingness to play "chicken" (etc.) with the next continuing resolution;

- a willingness to keep the Congress in session until the necessary $100 billion reconciliation instruction is passed.

entitlements

deficit to D. option

| | | | | | | |
|---|---|---|---|---|---|---|
| Case I | 6 4 | 13 ~~30~~. | 20 | = | 37 | |
| Case II | 6 13 | 33 | 41 | = | 84 | 36 |
| | | | | | | 10 |

In resolution
* 37 entitlements
* 87 taxes
$124 total

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

October 20, 1981

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

From: John E. Chapoton
Assistant Secretary (Tax Policy)

Subject: Proposals to Enhance Revenues

Attached are descriptions of the six revenue enhancement proposals which were contained in the White House Fact Sheet distributed in connection with the President's speech on September 24. These proposals should be regarded as preliminary.

In addition to this material, we have under consideration several other revenue protection measures, and we are working with the Internal Revenue Service on several proposals dealing with the underground economy.

Attachments

PARTMENT OF THE TREASURY

Summary of the Effect of Fiscal Year Receipts
of the Proposed Tax Law Changes

(\$ billions)

| | Fiscal Years 1982 | 1983 | 1984 |
|---|---|---|---|
| Completed contract accounting ............ | * | 3.7 | 6.7 |
| Energy tax credits ...................... | 0.1 | 0.8 | 1.2 |
| Tax-exempt industrial development bonds .. | * | 0.3 | 0.8 |
| Modified coinsurance .................... | 0.5 | 1.4 | 1.5 |
| Unemployment benefits ................... | 0.1 | 0.7 | 0.5 |
| Acceleration of corporate income tax payments ............................ | 2.3 | 0.6 | 0.1 |
| Total ................................ | 3.0 | 7.5 | 10.8 |

Office of the Secretary of the Treasury
Office of Tax Analysis

October 6, 1981

*Less than \$50 million.

THE WHITE HOUSE

WASHINGTON

October 20, 1981

MEMORANDUM FOR DONALD T. REGAN

FROM: ROGER B. PORTER

SUBJECT: Cabinet Council on Economic Affairs Discussion of Revenue Enhancement Measures

This is a brief memorandum to report on the discussion at this morning's Cabinet Council meeting after you were called out.

There was general support for the two remaining elements of the package presented — the changes in the taxation of unemployment compensation and accelerated corporate income tax payments. On the former, Bill Brock thought that it was likely an exercise in futility, but the general consensus was that we should still make the effort.

What was most important though was the discussion that followed. Secretary Schweiker began by asking about other possible measures that might be included in the package, such as increasing the excise tax on alcohol and tobacco. Drew Lewis then observed that there was growing need for the highway trust fund and that we could easily, in his view, pick up additional revenue through a gasoline tax. His initial recommendation was for a 3¢ a gallon increase in 1982, another 3¢ increase in 1983, and a 4¢ increase in 1984. He observed that one gets about $1 billion in revenue for each 1¢ of increased tax. Moreover, he said that he felt it was in fact a user fee. Schweiker then observed that with the escalating federal payments for medical care that the alcohol and tobacco taxes were also user fees and that the federal alcohol and tobacco taxes have not been increased since 1951.

Bill Brock then observed that he thought we should be talking about raising another $40 billion in revenue and that for starters he thought we should consider a 25¢ a gallon increase in the gasoline tax and possibly a value added tax. The general thrust of his and other's remarks was that any increased taxes should either remedy abuses or reduce consumption, but that we should leave alone the supply-side tax incentives already enacted.

Brock further observed that he felt we might get support from some groups, like labor, who had not supported us on anything before.

There was also discussion about the softness of the economy with specific reference to the most recent housing statistics — the lowest level since 1938-39 — and the likely bankruptcies in the next four months of Chrysler Corporation, International Harvester, Pan American, and Braniff.

Lewis suggested that there was a need for a meeting of the Chrysler Loan Guarantee Board.

There was a clear preference expressed by virtually everyone there that they would like some additional work done on a larger revenue enhancement package in preparation for a discussion of the issue soon after you return from Cancun.

The President's Economic Objectives

The Administration has spelled out four principal economic objectives:

- o Reduce the role of the Federal government in the American economy.
- o Reduce the rate of inflation.
- o Increase jobs.
- o Eliminate the budget deficit by Fiscal 1984.

It now appears highly unlikely that we can accomplish as much as had been hoped on all four objectives. One or more of them will have to be modified.

10/28/81

## The Economic Outlook

A major factor in our conclusion is the revised outlook for the economy in 1982. The Mid-Session Review suggested real growth on the order of 3.4 percent; the most likely outcome now is 1.5 percent.

Interest-sensitive sectors such as housing and construction will take time to recover from the ravages of 1981; state and local government spending will continue to be weak; net exports will perform poorly compared to 1981; business investment will take off more slowly than we originally assumed.

- o Thus, we will be starting up the ladder to 1984 from a much lower rung than originally anticipated.

- o A more pessimistic outcome in the 1982-1984 period could easily arise from such events as a Mideast oil shock, prolonged labor disputes, or budget problems due to sizable bailouts for failing financial or industrial firms.

- o Any realistic appraisal of the likely budget situation in 1984 shows very large unified deficits on the basis of existing laws and programs -- between $130-$140 billion. A pessimistic scenario easily shows an additional $50 billion shortfall.

ALTERNATIVE ECONOMIC OUTLOOKS

| | 1982 | 1983 | 1984 |
|---|---|---|---|
| GNP ($ bil.) | | | |
| Midsession | 3296 | 3700 | 4097 |
| Latest | 3201 | 3564 | 3932 |
| Pessimistic | 3152 | 3491 | 3854 |
| Real Growth | | | |
| Midsession | 3.4% | 5.0% | 4.5% |
| Latest | 1.5 | 4.3 | 4.1 |
| Pessimistic | -0.1 | 3.2 | 3.2 |
| Inflation | | | |
| Midsession | 8.0% | 7.0% | 6.0% |
| Latest | 8.0 | 6.7 | 6.0 |
| Pessimistic | 8.0 | 7.3 | 6.9 |
| M1B Velocity | | | |
| Midsession | 6.3% | 6.5% | 5.3% |
| Latest | 4.3 | 6.0 | 5.5 |
| Pessimistic | 2.6 | 5.5 | 5.6 |
| Budget Deficit ($ bil.) | | | |
| Midsession | 42 | 23 | 0 |
| Latest * | 91 | 118 | 133 |
| Pessimistic * | 103 | 158 | 185 |
| Deficits/GNP ** | | | |
| Midsession | 1.3% | 0.6% | 0% |
| Latest ** | 2.8 | 3.3 | 3.4 |
| Pessimistic | 3.3 | 4.5 | 4.8 |

* Base; September Initiatives Not Included

** FY81 Deficit was Approximately 2.0% of GNP

10/29/81

Policy Options

With the commitment to regulatory relief a constant, available policy options are limited to spending control, revenue raising measures and, indirectly, monetary control.

Rough estimates of the impact of various spending control and tax measures are attached. Even without attempting to quantify all reasonable options, the list of spending/revenue measures under the likely scenario could yield about $110 billion in 1984. (Savings would be less under a pessimistic scenario.)

- The benefits from a monetary policy of slightly less monetary restraint are minimal. If the Federal Reserve were to adjust upward their money growth target ranges by one-quarter of one percent (instead of reducing them by one-half percent a year), only $7 billion would be added to 1984 revenues.

- If we were to abandon our policy of progressive reduction in monetary growth rates, and accept current expansion rates, only $15 billion in additional revenues would be forthcoming.

Policy Option: Reduce Spending

| | FY82 | FY83 | FY84 |
|---|---|---|---|
| | (estimates in billions) | | |
| 1. Defense | | | |
| Halve the Reagan Step Up Over the Carter Increase in Defense | $4 | $10 | $14 |
| 2. Entitlements | | | |
| a. Indexing Changes | | | |
| CPI - 1% | .6 | 3 | 6 |
| CPI - 2% | 1.2 | 6 | 11 |
| 70% of CPI | 1.6 | 6 | 12 |
| 80% of CPI | 1.1 | 5 | 8 |
| 3-Month Delay | 5.2 | 5 | 5 |
| Cap at 20% for 3 Years | 1.6 | 5 | 6 |
| b. Reduce Basic Benefits | 2 | 3 | 4 |
| 3. Agriculture | | | |
| Reduce Agriculture Function by 25% | 1 | 1 | 1 |
| 4. Asset Sales | ? | ? | ? |

Policy Option: Increase Revenues

| | | FY82 | FY83 | FY84 |
|---|---|---|---|---|
| | | (estimates in billions) | | |
| 1. | Excise Taxes | | | |
| a. | Cigarette and alcohol: Double current tax | 7 | 7 | 7 |
| b. | User fees | 3 | 3 | 3 |
| c. | Reduced receipts in rest of economy from (a) and (b) | -3 | -3 | -3 |
| 2. | Windfall Profits Tax on Natural Gas | | | |
| a. | Gross receipts | | | 15 |
| b. | Additional corporate profits tax on natural gas producers | | | 7 |
| c. | Reduced taxes in rest of economy | | | -10 |
| d. | Net increase in revenues | | | 12 |
| 3. | Oil Import Fee - $4 per barrel | | | |
| a. | Gross receipts on imports | | | 10 |
| b. | WPT on domestic producers | | | 6 |
| c. | Higher profits tax on domestic producers | | | 3 |
| d. | Lower taxes on non-oil sectors | | | -7 |
| e. | Net increase in revenues | | | 11 |
| f. | Net increase with $5 per barrel fee | | | 14 |
| 4. | Postpone Personal Rate Cuts | | | |
| a. | Postpone third year of 5-10-10 | | | 30 |
| b. | Postpone July 82 and July 83 cuts 3 months | 8 | 9 | 0 |

81-16521

INFORMATION

Date: OCT 29 1981

**MEMORANDUM FOR:** SECRETARY REGAN

**From:** Greg Ballentine GB
Deputy Assistant Secretary (Tax Analysis)

**Subject:**
The Burden of Taxes and the Burden of Government: A Non-political Discussion.

In the ongoing discussion of possible tax increases, we should not accept the conclusion that raising taxes necessarily imposes a direct burden on the private economy. The direct government burden on the private economy is determined by the government's use of real resources. Essentially that burden is measured by the level of government expenditures.

Given any level of government expenditures, debates over raising tax revenues or borrowing more (running a larger deficit) are arguments about how to finance the burden of government and not the magnitude of the burden. A decision, for example, to raise excise tax revenues and borrow less does not impose an additional direct burden on the private economy, it only finances the burden differently.

Indirectly, taxes can impose an additional burden on the economy because they may distort incentives. That is, they can cause the private economy to use resources in an inefficient way, devoting, for example, too much production to consumption goods or too much time to leisure.

But borrowing imposes a special burden also, for it directly lowers private investment. We have acknowledged this when we have argued that even though future deficits may be large, the pool of savings will have increased so much that even after government borrowing, more savings will be available for private investment. This same reasoning also implies that if taxes were raised in a way that does not discourage private saving, then the reduced deficit would allow for still more private investment.

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | | | | | | PICKFORD |
| Initials / Date | / | / | / | / | / | [illegible] 10/30 |

OS F 10-01.11 (2-80) which replaces OS 3129 which may be used until stock is depleted

A carefully selected increase in certain taxes should not be viewed as a rollback of the tax cut. To the extent that the tax cut was simply an accompanyment to a cut in the burden of government, the tax cut was rolled back when we recognized that expenditures will not fall as much as hoped. But the recent tax cut was more than that, it was a cut in marginal rates and in taxes on savings specifically designed to improve incentives. Tax increases can be found which will not reverse that effect of the tax cut and which are superior to borrowing as a means of finance. Except for the corporate speed-up, the six revenue enhancement measures mentioned in the President's speech are examples of such tax increases.

A reasoned approach to the current problems must recognize that all tax increases are not bad policy compared to heavy borrowing. But there is a clear danger that in attempting to raise the right taxes, we may end up with the wrong tax increases and thereby rollback the improved incentive structure obtained under the recent tax bill.

The Effect on Fiscal Year Receipts *
of Selected Revenue Raising Proposals

(Based on Fall Review Economic Assumptions)
($ billions)

| | Fiscal Years 1982 | 1983 | 1984 |
|---|---|---|---|
| Excise taxes: (April 1, 1982): | | | |
| Double tobacco tax rates.............. | 0.7 | 1.8 | 1.8 |
| Increase telephone tax rate to 4 percent | 0.5 | 1.4 | 1.6 |
| Double beer and wine tax rates.......... | 0.5 | 1.3 | 1.3 |
| Double distilled spirits tax rate....... | 0.7 | 2.1 | 2.3 |
| Total.............................. | 2.4 | 6.6 | 7.0 |
| Motor fuels tax options (April 1, 1982): | | | |
| Double motor fuels tax.................. | 1.5 | 3.2 | 3.1 |
| Increase motor fuels tax from 4 cents to 7 cents in 1982, 10 cents in 1983, 14 cents in 1984 and thereafter....... | 1.1 | 3.5 | 6.0 |
| $3 Oil tax options (April 1, 1982): | | | |
| $3 Import fee: | | | |
| Tax on imports.......................... | 1.9 | 5.4 | 5.4 |
| Net windfall profit tax................ | 1.1 | 2.5 | 2.1 |
| Total.............................. | 3.0 | 7.9 | 7.5 |
| $3 Excise: | | | |
| Tax on imports.......................... | 1.9 | 5.4 | 5.4 |
| Tax on domestic production.............. | 3.0 | 8.6 | 8.6 |
| Total.............................. | 4.9 | 14.0 | 14.0 |
| Windfall profit tax on natural gas revenues from accelerated decontrol (April 1, 1982):1/ | | | |
| With no oil import fee.................. | 0.9 | 6.4 | 11.5 |
| With $3 oil import fee.................. | 1.0 | 7.2 | 13.0 |

Office of the Secretary of the Treasury
Office of Tax Analysis

October 28, 1981

1/ Based on Midsession Review economic assumptions.

* See the attached note for an explanation of these estimates.

Consequences of Excise Tax Increases on the Economy

Some have suggested that the solution to a perceived deficit problem should consist of further (unspecified) spending cuts coupled with massive--perhaps $45 billion--of excise tax increases in 1984. Putting aside the issue as to whether this is a problem for which tax increases are appropriate or even necessary, it is important to understand the economic effects of excise taxes.

Excise taxes are indirect business taxes which are subtracted from GNP in order to reach the profit and wage shares which comprise the income tax base. Any increase in indirect business taxes must, by definition, widen the gap between GNP and the tax base. If GNP in future years is fixed by overall economic policy then an increase in excise taxes must lower taxable incomes thus decreasing the revenue effect of the rise in excise tax rates.

In other words, any increase in gross excise tax collections will overstate the reduction in the budget deficit because there will be a partially offsetting loss of income tax receipts. The exact size of this loss is equal to the gross excise tax change multiplied by an overall marginal income tax rate of about 27 percent.

Consistent with this view is the conclusion that the overall level of prices (e.g., the CPI) will not increase as the result of an excise tax change. There will be increases in the price of goods directly or indirectly impacted by the excises. For example, an excise on crude oil will directly increase the price of gasoline and heating oil and will indirectly increase the price of oil based products such as plastics and fertilizers. These price increases will, however, be relative price increases only, since predetermined levels of nominal GNP will play a constraining role forcing prices of other goods and services down.

The alternative view, that excise tax increases will somehow raise the general price level by forcing nominal GNP higher than levels considered in the economic scenario, relies ultimately on the notion that monetary authorities will accommodate a tax increase in order to preserve former levels of taxable income. This is an unrealistic expectation. If the Fed wished to reduce a receipts shortfall by increasing the supply of money, that judgment would be independent of a Treasury decision to raise taxes.

The estimated receipt changes resulting from the excise tax proposals shown on this table take into account the income tax loss described above. Thus, these estimates may correctly be added to the level of receipts estimated for the Fall Budget Review without overstating the resulting improvements in the deficit.

## Excise Taxes on Telephone Service, Distilled Spirits, Beer and Wine, and Tobacco

Proposals: The excise taxes on distilled spirits, beer and wine, and tobacco would be doubled. The telephone excise tax, which is scheduled to fall from 2 percent to 1 percent on January 1, 1982 and expire on January 1, 1985 would be raised to 4 percent and made permanent.

Pros:

- o Such tax increases would restore the previously legislated real burden of these taxes, which have been largely eroded by inflation.
- o The increases would compel users of alcohol and tobacco to bear more of the costs of Federal programs for health care and highway safety necessitated by alcohol and tobacco use.

Cons:

- o Excise taxes reduce the incentive to work by reducing real after-tax wages.
- o Excise taxes distort relative prices and therefore interfere with consumption choices.
- o Excise taxes on these items are generally borne disproportionately by low-income families. However, for these particular excises, the effect is likely to be small.

# Excise Tax on Gasoline

Proposal: Double the present 4 cent per gallon Federal excise tax on gasoline used as a motor fuel and on other motor fuels.

Pros:

- o This proposal would partially restore the effective tax on gasoline as a percent of sales that has been eroded by rising prices. The effective rate would still be only about 10 percent, as compared to 11 percent in 1975 and 23 percent in 1970.
- o By raising the price at the pump, the tax would help to reduce gasoline consumption and, thus, reduce dependence on imported fuel.
- o Reduced demand for motor fuels would help to hold down prices on heating oil, industrial fuels, other petroleum-based products or close substitutes.
- o As a tax on a consumption item, this tax is consistent with a policy to promote saving.

Cons:

- o The present Federal gasoline tax is a user charge to help pay for highway construction and maintenance. An additional tax for the general fund has no such rationale.
- o Decontrol of petroleum prices has provided appropriate market incentives to conserve gasoline use. An additional tax on gasoline, not tied to highway costs, discriminates unfairly against consumers of this particular commodity. Gasoline use is disproportionately large in Western states and rural areas. (Per capital consumption is three times as high in Wyoming as New York.)
- o The tax would be regressive by income class.

Oil Import Fee or Oil Excise Tax

Proposal: Impose a $3 per barrel fee on imported oil, or a $3 per barrrel excise on all oil

Pros:

- The fee or tax would reduce dependence of U.S. economy on insecure foreign oil sources by reducing imports.
- The proposal involves direct reliance on the price mechanism to reduce imports, rather than on cumbersome and inefficient regulations and subsidies.
- The fee or tax would be an appropriate way to finance the Strategic Petroleum Reserve.
- A small import fee or excise tax would raise considerable revenue without raising prices much above those prevailing earlier in 1981.

Cons:

- Taxes on consumption reduce incentives to work, by reducing real after-tax wages.
- Excises discriminate among forms of consumption and therefore represent a direct interference in consumer choice.
- Taxes on oil consumption impose a disproportionate burden on lower-income families who generally must spend a larger amount of their incomes on oil-based products than higher-income families spend.

## Natural Gas Decontrol and Windfall Profit Tax

Proposal: Decontrol natural gas and impose a tax on a portion of the "windfall" profit.

Pros:

- o The combined program would increase profits of natural gas producers, stimulate domestic energy production, and reduce dependence on imported oil.
- o The proposal would make decontrol politically more palatable by softening the impact of income transfer from natural gas consumers to natural gas producers.
- o The tax would raise significant revenues.

Cons:

- o Decontrol alone would increase the price of natural gas to consumers and increase returns to producers. The tax would not affect the price consumers pay, since this price would be determined by world oil prices, but the tax would reduce the return to producers, and therefore remove part of the stimulus to domestic production provided by decontrol.

Comparison of Stockman-type Budget Deficit Resolution
with the Recently Enacted Tax Cuts

(Based on Fall Review Economic Assumptions)
($ billions)

| | Fiscal Year 1984 |
|---|---|
| Recently enacted ERTA tax reductions: | |
| Individual rate reductions and marriage penalty relief.................... | $-107 |
| All other provisions......................... | - 38 |
| Total ERTA................................ | $-145 |
| | |
| Possible revenue raising proposals............ | $+ 45 |
| As a percent of individual rate reductions and marriage penalty relief................ | 42% |
| As a percent of the total Economic Recovery Tax Act of 1981 (ERTA)........... | 31% |

Office of the Secretary of the Treasury
Office of Tax Analysis

October 28, 1981

In the context of the previous table, it is misleading to separate the individual tax cuts in ERTA from the business tax cuts. Ultimately, all taxes are paid by people, thus the business tax cuts were part of individual tax relief just as much as the cuts in personal income tax rates. The most relevant ratio in that table is the one which shows the possible tax increase as a fraction of total ERTA cuts in 1984.

DS ⟷ RWS
JAB RW DR

Administratively Confidential

Add Innovation Fund

CONCEPT PAPER ON LARGE-SCALE FEDERALISM INITIATIVE

discuss in LSG monday

December 8, 1981

I. Objective

Develop a large-scale Federalism policy initiative that:

- o Serves the Administration's conservative domestic policy agenda;
- o Measureably eases the budget gap over FY 83-86;
- o Splinters and realigns the anti-spending cut constituency forces which are coalescing against the Administration;
- o Offers a major, affirmative legislative package for 1982 to help relieve the fiscal retrenchment theme that inevitably will characterize much of the FY 83 budget program.

II. Proposal

- o A $30-50 billion turn back of tax revenues and current Federal programs to be accomplished over a five year transition period.

- o The programs turned back would be functions federalized in the post-1960 era that properly belong at the state and local level, i.e. health, social service, public assistance, and local infrastructure (bridges and sewer grants).

- o Revenue sources turned back would have two characteristics:

    - o Capability of being levied in all states with roughly even yield (i.e. windfall tax on oil would not qualify, but tobacco excise tax would).

    - o Currently levied jointly so that the turned-back Federal tax base would easliy integrate with existing state tax systems (i.e. gas tax, alcohol and tobacco, etc.).

The tax turn-back mechanism initially would work as follows:

Taxes would be Federally levied and deposited in a trust fund with 50 separate state accounts in the amount originated in each state. During the transition period these deposits would fund either:

- Federal categorical, block grant and revenue sharing programs designated for phase-out; or

- An enhanced revenue sharing payment if states choose early withdrawal from earmarked Federal programs.

By the end of the transition period the states could elect to either:

- Receive continued credit from the Federal trust fund in the amount of receipts generated within their jurisdiction; or

- Elect to assume execution and administration of the "Federal taxes" and extinguish their Federal account (i.e. eliminate the routing of taxes raised within the state through a Federal account).

- The fiscal design would be to fund the state tax accounts in a ratio of 3:1 or 4:1 between new and existing dollars raised by the taxes designated for turn back. In the case of a $40 billion program, for example, the deficit would be reduced by $30 billion if the 3:1 ratio were used (i.e. $30 billion new, $10 billion existing).

- On the program side, the general design would be to turn back $3 in taxes for every $4 of program activity devolved to state and local government. This would be measured from pre-Reagan FY 80-81 levels and would capture the general fiscal principle used in the block grants.

o In terms of basic fiscal design, the following would occur on a fully implemented basis:

State/Local Fiscal Ledger

| | | |
|---|---|---|
| a) | Revenue turned back ................................ | $+40 |
| b) | Federal programs turned back measured from FY 81 status quo................................................ | -53 |
| c) | Net change............................................. | -13 |

Federal Fiscal Ledger

| | | |
|---|---|---|
| a) | Programs tunred back................................ | $+53 |
| b) | Existing revenues turned back........................ | -10 |
| c) | Net gain................................................ | +43 |

o Obviously all policy variables could be altered to meet fiscal and political requirements:

- o Program/tax turn back ratio;
- o New/existing tax source ratio.

III. Program Detail

A) Candidates for program turn back:

- o Revenue sharing:
- o 1981 enacted block grants and new block grants proposed in FY 83 budget;
- o CDBG and UDAG;
- o Public assistance (AFDC, food stamps, low-income energy and child nutrition);
- o Sewage treatment grants;
- o Non-interstate highway and airport grants;
- o Rehabilitation services grants.

The theory behind these candidates is:

- o Block grants devolve policy and administrative reponsibility. Tax turn back completes the circle and devolves financing responsibility.
- o Most of these are traditionally local/state functions. Tax turn back ultimately re-establishes the link between spending levels and revenue raising -- a fundamental conservative objective.

B) Candidates for tax turn back:

- o Alcohol and tobacco tax;
- o Gasoline and other highway excises;
- o Telephone tax.

C) Transition features:

- o All turn back programs would be held harmless for FY 83-86 at 75% (or alternate variable) of their FY 81 funding levels. This would provide funding stability.
- o Federal agencies administering turn back programs would deduct distributed grant amounts from the state's tax turn back account. Any surplus remaining would be paid out as enhanced revenue sharing during the transition period.
- o If states opted out of programs early, their surplus would increase and enhanced revenue sharing payment would be raised.

D) Medicaid/public assistance swap:

- o Medicaid could be Federalized as part of this initiative, but would have to be factored into the design ratios discussed above, i.e. tax turn back would equal 75% of the net difference between public assistance savings to the Federal government and medicaid cost increases.

CM 174

December 15, 1981

TO: CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: SECRETARY DREW LEWIS
DEPARTMENT OF TRANSPORTATION

ISSUE: Increased User Charges to Finance Federal Highway and Transit Programs

## SUMMARY

This proposal suggests increasing highway user charges, beginning in FY 1983, by an equivalent five cents per gallon to bring current highway user charges into line with the level of expenditures required to maintain the system in an adequate condition. Approximately $4 to $5 billion per year would be used for Federal-aid highways and $1 billion per year would be used for capital assistance to mass transit. The proposal provides for needed investment in the transportation capital plant to ensure economic growth and improved productivity. It will improve the budget balance by an average of $4 billion a year in the first two years.

## BACKGROUND

The nation's highway and mass transit systems are essential links in the operation of the economy. Three quarters of all highway travel takes place on the Federal-aid highway system, and, in our large cities, mass transit systems provide over 18 million trips daily.

The Federal Government has had a major responsibility for financing highways and transit for many years. Federal funds generated from highway user charges help finance the Interstate System which connects principal metropolitan and industrial centers, and serves national defense requirements. User charges also provide funds for the Primary System, which includes major statewide Federal-aid highways, the Secondary System, which includes major rural highways and the Urban System which includes both transit and highway capital projects in urban areas. In addition, bridge, highway repair and rehabilitation and safety projects are eligible for these funds. The Federal mass transit program, which is funded from the general fund, includes a discretionary capital grant program, a formula grant program for urbanized areas that local officials may choose to use for public transportation capital or operating assistance projects, and a similar formula grant program for non-urbanized areas. Under the current highway and mass transit formula programs, decisions regarding the use of funds are made at the state and local level. Thus, to a large extent, these programs reflect the Administration commitment to Federalism.

Due to the magnitude of their role in all aspects of the nation's commerce, these systems will exert a significant negative impact on the economy if allowed to deteriorate and become inefficient. The entire economy relies upon the efficient movement of freight and people. Nevertheless, there is substantial evidence that our highway and transit infrastructures are deteriorating rapidly. Overall highway performance is declining, and approximately one in five Federal-aid system bridges is deficient. In urban areas, where over half of all highway travel occurs, congestion has become a costly feature of peak-period travel. Critical deficiencies in mass transit performance threaten to compound the congested highway conditions. Transit facilities and equipment in older, large cities have reached a state of severe deterioration. Total needs now far exceed what can realistically be expected from both the cities' own finances and currently planned Federal assistance. This trend must be reversed. If it is not, the transit systems will rapidly deteriorate to the point that massive capital investments will be required to rehabilitate the rail lines or to provide compensating additional highway capacity. The cost of intercity freeway and parking facilities will be much greater than these relatively minor expenditures to improve the mass transit infrastructure. Further, the resulting inefficiencies and increased costs, in both goods and people movement, will begin to erode private sector productivity gains and dampen the nation's economic recovery.

Over the next decade, increased user charges will be required simply to maintain serviceability of the existing Federal-aid highway system. Indeed, the capital expenditures needed to preserve, maintain and complete the Interstate System total about $80 billion. Requirements for other Federal-aid highways, the Primary, Secondary and Urban Systems, are expected to amount to more than $100 billion in the 1980's just to maintain present conditions. Urban rail and bus transit capital investment needs will total another $40 billion over the next ten years.

If present Federal highway user charge levels are continued, and state and local financing increases only modestly, much of this investment will not take place. A deferral of these investments for a few years will cause maintenance and investment to be even more expensive in the years ahead. For example, a deferral of simple highway resurfacing work for as little as two years could triple the ultimate cost of restoration.

To avoid such consequences Federal highway and transit funding must be put on a sound long-term course through an increase in highway user charges. Such a step is long overdue, for there has been no increase in these user charges in more than twenty years, despite a quadrupling of costs over that period.

It should be noted that refinancing of the Highway Trust Fund is a decision long scheduled to be taken up in 1982. In anticipation of this issue, the Congress has directed a number of studies by the Department of the Treasury and the Department of Transportation that are done or near completion. At issue in the next session of Congress will be both highway program levels and the allocation of charges to the various users.

DESCRIPTION OF DOT PROPOSAL

Amount and Timing of User Charge: Beginning in FY 1983, highway user charges would be increased by an equivalent five cents per gallon of motor fuel to yield additional annual revenues of $5 to $6 billion. The proposed increase is expressed in terms of equivalent cents per gallon, although a combination of fuel and excise user charges would be required to ensure equitable allocation of contributions among user groups.

Program Levels: The Administration's pending legislation includes annual authorizations through FY 1986 of about $9 to $10 billion for highways and $3 billion for transit. This proposal would add $4 to $5 billion per year for Federal-aid highways and $1 billion per year for transit capital (See Table 1).

Delivery of the Funds and Recipients: The new highway revenues would go into the Highway Trust Fund and a new transit program formula would be established for the $1 billion per year for transit. The amounts authorized for the highway program would be allocated and distributed under the existing Federal-aid highway program structure. This would be fully in accord with the Administration's Federalism policies. Because of the structure and operation of the delivery mechanisms to be used virtually all investment decisions would be made at the state and local level.

Transit funds would be distributed to current "designated recipients" under a formula which directs 85 percent of the money to large cities' capital projects. Eligible transit projects would include capital investments in buses, bus facilities, and rail modernization, rolling stock, facilities and equipment. To accomodate the desire for state and local discretion, in areas where the funds are not needed for transit they could be used for highway projects, following certification by appropriate state or local authorities that there are no significant mass transit capital needs. The formula would give wide ranging authority to local officials to select projects for investment.

DISCUSSION

Adoption of this proposal would lead to a series of benefits. First, it would deal with many of the current highway and transit funding problems identified earlier. Specifically, the $4 to $5 billion per year increase in highway investment would:

1. Complete the Interstate System by 1990, even at the slightly higher cost of the redefinitions being considered by Congress;

2. Provide for restoration of Interstate pavement and bridges;

3. Maintain the current performance on the Primary System;

4. Eliminate the most critical bridge deficiencies; and

5. Prevent further deterioration of the Secondary and Urban Systems.

The $1 billion per year for mass transit would:

1. Accelerate rail transit modernization improvements in large cities;

2. Accelerate rehabilitation and procurement of necessary rail rolling stock;

3. Reduce the average age of the bus fleet; and

4. Revitalize and replace bus maintenance facilities.

Second, even while those problems are being dealt with, the user charge increase would also have a positive fiscal effect on the Federal budget. Because of the slow pay-out characteristics of highway and transit capital projects, the budget deficits would be reduced by an average of $4 billion per year in FY 1983 and FY 1984.

Third, adoption of this proposal would result in significant gains to the economy and to businesses that depend upon well-maintained highways and efficient movement of people. The program would provide a timely stimulus to desirable economic activity and ensure necessary investments in our transportation infrastructure. It also would produce a positive effect on employment.

Fourth, the proposal is fully consistent with both the Administration's user charge policy and its policy for national economic recovery. It would bring highway user charges, which have remained unchanged for more than 20 years, into line with current costs. Because revenues will be invested in an essential component of the economy's productive capacity, they will stimulate desirable economic activity and assist in meeting the Administration's economic goals.

The increased user charges will have a relatively modest effect on motor vehicle operators. The estimated average annual increase of $20 per vehicle operator household is relatively insignificant in comparison to the cost of owning and operating a motor vehicle. The average annual increase for all trucks (except pickups and vans) would be about $400 per year.

In the present budgetary and political climate, we are unlikely to obtain necessary increases in user charges for highways alone. It is even more unlikely that we could obtain approval for a separate user charge funded program increase for mass transit. However, by combining a restructured highway user charge system with higher program levels for both highways and transit, it may be possible to garner the necessary Congressional and industry support.

Although there are numerous benefits associated with the proposed, and long-overdue, increase in user charges, there are some potential drawbacks. Primarily, this proposal would be:

1. Perceived as an increase in Federal taxes;

2. Opposed by certain highway users who will not want additional user charge money to be used for transit; and

3. Opposed by certain Governors and other state officials because it could present them with difficulties in increasing state user charges.

RECOMMENDATION

That the Cabinet Council support this proposal to put our highway and transit programs on a sound financial basis by increasing highway user charges, beginning in FY 1983.

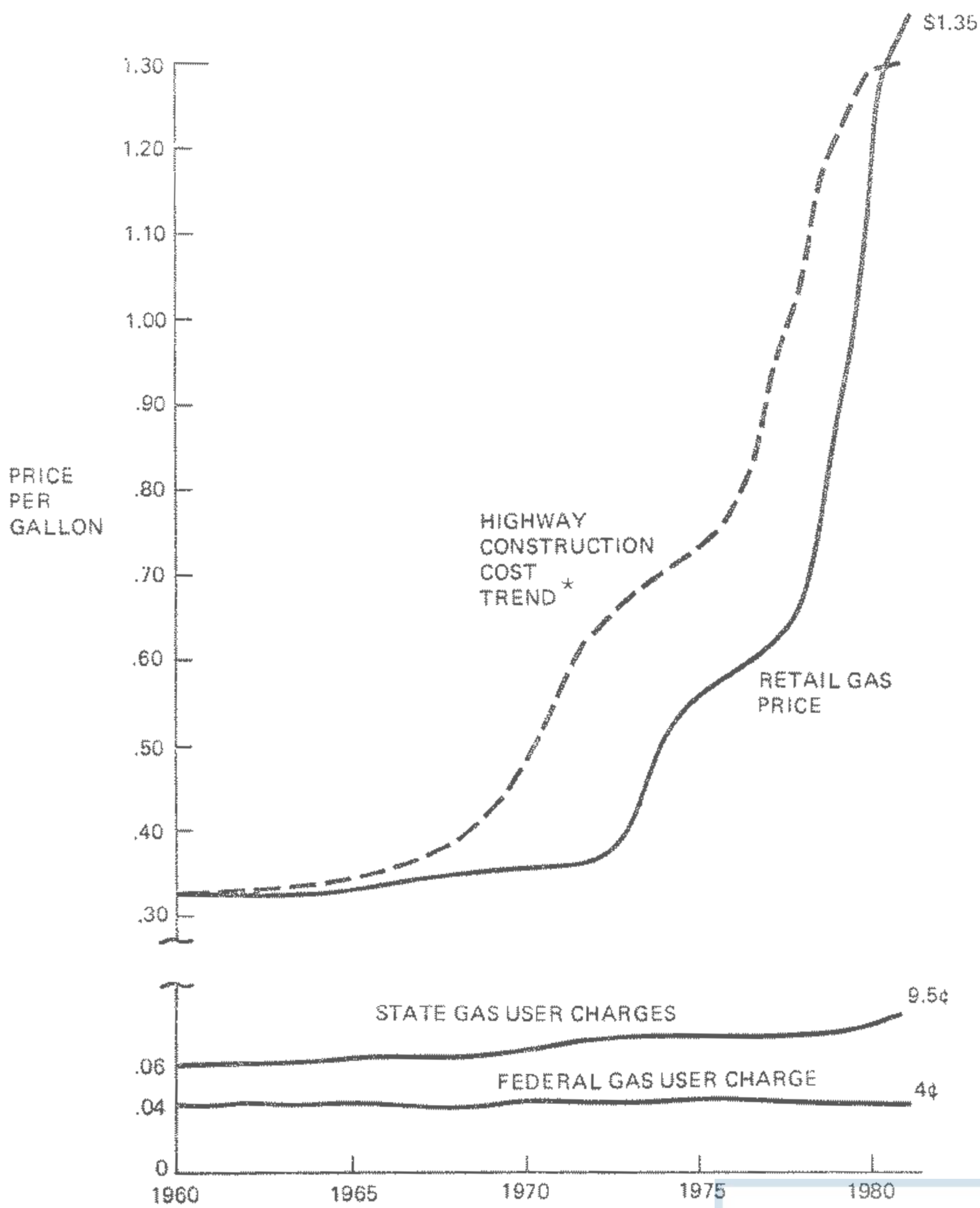
Table 1

FINANCIAL EFFECTS OF USER CHARGE PROPOSAL
($ Billions)

| User Charges | FY 1983 Current | FY 1983 Proposed | FY 1983 Increase | FY 1983-86 Current | FY 1983-86 Proposed | FY 1983-86 Increase |
|---|---|---|---|---|---|---|
| Total Revenues* | $7.6 | $13.3 | +$5.7 | $31.0 | $54.6 | +$23.6 |
| Program Auth. | 9.2 | 13.4 | + 4.2 | 38.5 | 57.6 | + 19.1 |
| Outlays | 8.4 | 9.2 | + .8 | 36.7 | 48.3 | + 11.6 |
| Federal Budget Effect (Reduction in Federal Budget Deficit) | -.8 | $ 4.1 | + 4.9 | -5.7 | +6.3 | + 12.0 |
| **Program Structure** | | | | | | |
| Federal Highway Aid | $9.1 | $12.3 | +$3.2 | $38.1 | $53.2 | +$15.1 |
| Federal Transit Aid | -- | 1.0 | + 1.0 | -- | 4.0 | + 4.0 |
| Other | .1 | .1 | -- | .4 | .4 | -- |
| TOTAL | $9.2 | $13.4 | +$4.2 | $38.5 | $57.6 | +$19.1 |

*Includes Interest

COMPARISON OF TRENDS IN HIGHWAY PRICES AND USER CHARGES




- Retail gas prices have quadrupled since 1960.
- Over the same period, highway construction costs have risen by over 300%.
- States have responded by raising highway user charges by 60%.
- The Federal user charge of 4¢ per gallon, has remained unchanged since 1959.



* This trend line shows relative changes in the construction cost index

RGD - 12/15/81

LEGISLATIVE STRATEGY

AGENDA

(A) FEDERALIST/TAX TURN BACK INITIATIVE

The Problem(s):

(1) Federalist (decentralist) initiatives have difficulty in Congress.

(2) Excise and loophole-closing initiatives run the risk, in this environment, of re-opening broader tax issues.

(3) We need some additional revenue contribution -- provided it does not adversely affect either the basic August tax reduction program or the basic economic recovery program.

(4) We need some distractive/attractive initiative -- consistent with the President's philosophy -- for the State of the Union.

The Question(s):

(1) Could an initiative that combines federalist initiatives (including blocs and role-sorting) with excise increases (and turn-backs to states) be structured and sold in a way that addresses the above problems satisfactorily? [See paper.]

(a) Reactions: States? Congress? Treasury?

(b) Does this also need an innovation set-aside?

(c) How can this be reconciled with work of Carlson work group?

(d) Next steps?

(B) OTHER

(1) Farm

(2) Emergency Petroleum Allocation

(3) __________

OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

December 17, 1981

MEMORANDUM FOR DONALD T. REGAN

FROM: ROGER B. PORTER RBP

SUBJECT: Sixty-Fourth Meeting of the Cabinet Council on Economic Affairs - December 18, 1981

The Cabinet Council on Economic Affairs will hold its sixty-fourth meeting on Friday, December 18, at 8:45 a.m. in the Roosevelt Room. Secretaries Baldrige, Donovan, Lewis, Block, Schweiker, and Bell, Dave Stockman, Murray Weidenbaum, and Ambassador Brock will join you as principals at the meeting. The Vice President is unable to attend because he will be out of town. At Marty Anderson's request, the meeting was limited to principals only. No paper has been distributed to members in advance. A paper, prepared by the Working Group on the Transfer of Federal Programs and Revenue Resources, will be distributed at the meeting. Ed Gray, the Working Group chairman, has promised that he will get me an advance copy for you to review before the meeting.

Transfer of Federal Programs and Revenue Resources

The Council is scheduled to take up one agenda item — the Report of the Working Group on the Transfer of Federal Programs and Revenue Resources. The formation of this working group last summer was stimulated by the President's desire (he has frequently referred to it as his dream) to transfer certain federal programs, which he feels are best managed and administered at the state level, to the states along with a transfer of revenue resources.

The intent of the Working Group has focused on a dollar for dollar transfer — transferring a specified number of federal programs funded at a particular level and transferring an equivalent amount of revenues to pay for those programs.

The exercise has involved a lot of work, effort, and energy. Conceptually it has been very difficult to match programs with revenue sources. That is because there are such wide variations among the states in terms of the costs for such programs (highways, education, AFDC, food stamps, social services) and the sources for the revenues. The attempt to match sources of revenues with programs was protracted and only partially successful.

If Ed Gray's presentation follows the discussion at the last working group meeting, he will propose three packages of programs and revenue sources:

Highways: Putting the 44 federal-state grant programs in the area of highway transportation into a single block grant and allowing the states to pick up the 4¢/gallon federal gasoline tax.

Education: Putting together a series of education grants and programs and transfering them along with the federal alcohol and tobacco excise taxes, excluding the beer tax.

Welfare: Putting together Aid to Families with Dependent Children (AFDC), food stamps, and social services (and possibly medicaid) and transfering a percentage of the federal personal income tax receipts.

Because these proposals affect so many departments the meeting will have an unusually large number of cabinet members in attendance. In addition to the regulars — yourself, Baldrgie, Donovan, Lewis, and Stockman — Secretaries Schweiker, Bell, and Block will attend.

Ed Gray will present the paper. He may wish to have Bob Carleson, who has worked closely on this project with him, to back him up in the presentation.

Date: December 18, 1981

MEMORANDUM FOR: SECRETARY REGAN

From: J. Gregory Ballentine JGB
Deputy Assistant Secretary (XA)

Subject: Tax Options

Attached is a table showing the revenue effects of several tax policy changes, along with a one page paper of "pros and cons" for each. Buck Chapoton asked that I stress that we are continuing to develop other options for your consideration.

Attachments

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | XA Ballentine | | | | | |
| Initials / Date | JGB / 12/18 | / | / | / | / | / |

OS F 10-01.II (2-80) which replaces OS 3129 which may be used until stock is depleted

The Effect on Fiscal Year Receipts of Selected Revenue Raising Proposals

(Based on the Preliminary 1983 Budget Economic Scenario)

($ billions)

| | Fiscal Years 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| President's September Tax Code revisions: | | | | | |
| Completed contract accounting | 2.4 | 3.9 | 3.0 | 2.8 | 2.3 |
| Energy tax credits | 0.1 | 1.1 | 1.5 | 1.3 | 0.6 |
| Tax-exempt industrial development bonds | * | 0.3 | 0.8 | 1.5 | 2.2 |
| Modified coinsurance | 1.1 | 2.2 | 2.5 | 2.7 | 3.0 |
| Unemployment benefits | 0.1 | 0.7 | 0.6 | 0.5 | 0.5 |
| Acceleration of corporate income tax payments 1/ | 1.2 | 1.2 | 0.3 | 0.1 | * |
| Total President's September Tax Code revisions | 4.9 | 9.4 | 8.7 | 8.9 | 8.6 |
| Staffing increases for the Internal Revenue Service | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Withholding on interest and dividends (5 percent rate): Taxpayers aged 65 and older with $500 tax liability or less ($1,000 joint returns) are exempt: | | | | | |
| Accelerated collections | 1.4 | 0.2 | 0.2 | 0.2 | 0.4 |
| Compliance | 0.5 | 1.1 | 1.2 | 1.4 | 1.5 |
| Total | 2.0 | 1.3 | 1.4 | 1.6 | 1.9 |
| Doubling excise tax rates: | | | | | |
| Tobacco | 0.9 | 1.8 | 1.8 | 1.8 | 1.8 |
| Telephone | 0.9 | 1.6 | 2.1 | 2.6 | 2.9 |
| Beer and wine | 0.9 | 1.3 | 1.4 | 1.4 | 1.4 |
| Distilled spirits | 1.2 | 2.3 | 2.3 | 2.3 | 2.4 |
| Total excises | 4.0 | 7.0 | 7.6 | 8.1 | 8.5 |
| 10 percent sales tax on luxury items | 1.1 | 1.8 | 1.9 | 2.1 | 2.2 |
| $3 per barrel excise tax on oil | 8.3 | 13.7 | 13.5 | 13.3 | 13.0 |
| Windfall profit tax on natural gas 2/ | 4.6 | 10.5 | 12.1 | 11.6 | 10.9 |
| Increase motor fuels tax from 4 cents per gallon to 7 cents in 1983, 10 cents in 1984, and 14 cents in 1985 and thereafter | 1.7 | 4.0 | 6.8 | 7.7 | 7.6 |
| Eliminate the general sales tax deduction | 0.8 | 5.1 | 5.8 | 6.4 | 7.2 |
| Partial inclusion of employer payments for medical expenses and insurance premiums in employee income 2/: | | | | | |
| Income tax | 4.7 | 7.2 | 8.2 | 9.3 | 10.8 |
| Social security tax | 2.4 | 3.9 | 4.5 | 5.4 | 6.1 |
| Total | 7.1 | 11.1 | 12.7 | 14.7 | 16.9 |
| Eliminate the consumer credit interest deduction | 0.4 | 3.3 | 5.7 | 6.4 | 6.6 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 18, 1981

1/ Assumes enactment of the other proposals.

2/ The estimate is not based on a specific proposal. The amounts shown are rough estimates of the increase in receipts that could be obtained.

Note: Details may not add to totals due to rounding. All proposals are effective January 1, 1983. Estimates do not include interaction with other proposals.

*Less than $500 thousand.

Increase in Motor Fuels Taxes

Proposal:

Increase the motor fuels tax from 4 cents per gallon to 7 cents in 1983, 10 cents in 1984, and 14 cents in 1985 and thereafter.

Pros:

Higher taxes on gasoline would encourage energy conservation and reduce dependence on imported oil.

The motor fuels tax is easy to administer, and raising the rate would impose no significant administrative burden on IRS.

The Federal motor fuels tax has declined significantly as a fraction of the price of gas since the 4 cents per gallon rate was established in 1959. Even an increase to 14 cents per gallon would leave the tax rate no higher (as a fraction of the price of gasoline) than in the early 1970s.

Cons:

Any increase in the Federal gasoline tax in excess of that required to finance the highway trust fund would impose unnecessary economic inefficiencies. It would distort the choice of consumers between motor fuels and other goods, because the tax would be unrelated to any social costs specifically attributable to consumption of gasoline.

If reduction of oil imports is desired, it would be preferable to impose an import fee on oil. An import fee would raise prices to all users of oil, rather than singling out motor fuel users.

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

December 18, 1981

8:45 AM

Roosevelt Room

AGENDA

1. Report of the Working Group on Transfer of Federal Programs and Revenue Resources/CM110

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

December 18, 1981
8:45 a.m.
Roosevelt Room

Attendees: Messrs. Regan, Baldrige, Donovan, Lewis, Schweiker, Block, Bell, Edwards, Stockman, Brock, Weidenbaum, Anderson, Porter, Williamson, Duberstein, Gray, Carleson, Homer, Jenkins, Cicconi, MacLaughrey, and Savas.

1. Report of the Working Group on the Transfer of Federal Programs and Revenue Resources

The Council reviewed a report from the Working Group on the Transfer of Federal Programs and Revenue Resources. Mr. Gray's presentation focused on the statements of President Reagan in the last decade on the transfer of federal responsibilities to the states, the composition and deliberations of the working group, the goals pursued by the working group, and a detailed review of the programs and revenue resources that the working group had considered in its meetings over the last several months. Mr. Gray also reviewed three possible models for a transfer program.

The discussion focused on ways of dealing with distribution differences among the states, the needs for increased funding for transportation systems, potential political difficulties in securing acceptance of the transfer concept, the relationship of the working group's efforts to the work of the commission on federalism, the extent to which component parts of the concept have been discussed with state and local officials, the timing and sequence of proposing such transfers, the experience of the Kestenbaum Commission in the Eisenhower Administration, alternative ways of dealing with the transition from the present system to a devolved system, and the relationship to the fate of the Department of Education.

Decision

The Council requested the working group to continue refining its ideas and alternative approaches to the transferring of federal programs and revenue resources to the states.

RBP

19393
cba

INFORMATION

**Date:** DEC 21 1981

**MEMORANDUM FOR:** DEPUTY SECRETARY MCNAMAR

**From:** Gregory Ballentine
Deputy Assistant Secretary (Tax Analysis)

**Subject:** Proposal by Secretary Lewis to Increase User Charges to Finance Federal Highway and Transit Programs

At the December 22 meeting of the Cabinet Council on Economic Affairs, the Secretary of Transportation will propose increasing highway user charges by an equivalent of five cents per gallon, beginning in FY 1983.

Expenditures from the highway trust fund are financed by receipts from highway excise taxes. These include a 4 cents per gallon tax on gasoline, and also taxes on diesel and special motor fuels, tire, tubes and tread rubber, trucks, buses, and trailers, use of certain vehicles, parts and accessories, and lubricating oils. The gasoline tax accounted for 53 percent of highway excise tax revenues in FY 1980.

The DOT proposal raises issues of the appropriate level of highway trust fund expenditures, and the timing of tax increases to finance those expenditures. In that connection, Secretary Lewis' assertion that increasing user charges is consistent with Administration policy is a bit misleading. The highway excise taxes, though preferable to financing highway trust fund projects from general revenues, are not analogous to prices charged by a business for its products because the burden of highway excise taxes among users is not closely related to actual use of Federally-funded highways. Even with structural improvements being considered by DOT and Treasury staff -- improvements designed to align highway user charges more closely with costs imposed on the highway system by different classes of users -- an increase in highway excise taxes should still be regarded as a tax increase, not a user charge increase such as increasing postal rates or increasing fees for camping in national parks. (The structural improvements under consideration are not specifically addressed by Secretary Lewis).

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | Toder | Chapoton | | | | |
| Initials / Date | / | / | / | / | / | / |

OS F 10-01.11 (2-80) which replaces OS 3129 which may be used until stock is depleted

The Council reviewed a paper and a series of charts describing

The highway trust fund had a balance of $9.2 billion as of September 30, 1981. In the past two years, outlays funded by the trust fund have exceeded receipts by about $1.5 billion per year. Future annual expenditures are projected to rise from $10.1 billion in FY 1983 to $11.1 billion in FY 86 under current Administration programs. Revenues from the Federal gasoline tax are likely to rise less rapidly than expenditures at current tax rates because the tax is a fixed amount per gallon rather than a percentage of the price. Therefore, nominal revenues are unaffected by inflation, and real revenues decline as prices increase.

Because of the $9.2 billion reserve, there is no immediate need for a tax increase. In order to determine when and by how much highway taxes should be increased, one needs to resolve first both the appropriate future levels of spending and the desired trust fund balance. The current proposal by DOT involves both higher spending levels and a build up in the size of the trust fund. Before Treasury can endorse tax increases, we should first require both that OMB approve the proposed higher spending levels and that any proposed short run increase in the trust fund balance is related to future spending projections that are consistent with Administration budget policies.

Recommendation

Treasury should not endorse the DOT proposal at this time. However, Treasury should leave open the possibility of endorsing future increases in highway excise taxes if such increases are necessary to permit long run financing on a sound basis of approved highway spending plans.

Administratively Confidential

# MAJOR FEDERALISM INITIATIVE

December 21, 1981

I. Objectives

Develop a major federalism policy initiative that:

- o Reflects the President's conservative domestic policy agenda;
- o Substantially eases the budget deficit gap over FY 83-86;
- o ~~Divides and realigns the anti-spending reduction constituency forces coalescing against the administration~~;
- o Offers a significant, constructive legislative proposal for 1982 to help relieve the fiscal retrenchment theme that inevitably will characterize much of the FY 82 budget program.

II. Proposal

- o A major ($30-50 billion) transfer of tax revenues and federal programs to state governments.

- o The transfered programs would include governmental functions that involve decentralized delivery systems or programs traditionally performed at the state and local level, i.e. education, health, social service, public assistance, and local infrastructure.

- o The revenues transfered would have two characteristics:

  - Currently levied jointly so that transfered revenues could integrate with existing state tax systems (gasoline, alcohol, tobacco, for example).

  - Capable of being levied in all states with somewhat equivalent per capita yield. (The tobacco excise tax would satisfy this condition while the oil windfall profits tax would not.)

- o The revenues transfered would include monies raised by new and existing taxes in a ratio of roughly 2:1. For example, in the case of a $45 billion program, the deficit would be reduced by $30 billion (i.e. $30 billion in new revenues and $15 billion from existing revenues).

- o In transfering current federal programs, the initiative would employ the general fiscal principle reflected in the block grant approach — transfering $3 in revenues for every $4 of program activity accompanied by the opportunity for substantially greater flexibility in administering these programs.

o This basic fiscal design would have the following effects on federal and state fiscal ledgers:

Fiscal '81 is base year

State Fiscal Ledger

| | |
|---|---|
| Revenues transfered .................................... | $+45 |
| Federal programs transfered measured from base line status quo ............................................ | -60 |
| Net change ............................................... | -15 |

Federal Fiscal Ledger

| | |
|---|---|
| Federal programs transfered ............................ | $+60 |
| Existing federal revenues transfered .................. | -15 |
| Net change ............................................... | +45 |

o Obviously one could alter the key variables to meet fiscal and political requirements:

- Program/tax transfer ratio;

- New/existing tax ratio.

Evaluating Candidates for Tax Transfer

Current Federal Revenue Sources

Personal income tax

Corporate income tax

Social security and unemployment insurance taxes

Tariffs and customs duties

Windfall profits tax on decontroled oil

Estate and gift taxes

Excise taxes for which there is no close state parallel (automobile parts, tires, airline ticket fees)

Excise taxes for which there is a close state parallel (alcohol, tobacco, gasoline)

This analysis proceeds on the assumption that the most promising candidates that fit the criteria outlined above are the following shared taxes:

- o Alcohol (Distilled spirits, wine, beer)
- o Tobacco
- o Gasoline

Alcohol Taxes

Federal Alcohol Excise Taxes

- o Federal excise taxes on alcoholic beverages were last changed in 1951.

- o At that time they were set at 29¢ per gallon of beer, between 17¢ and $3.40 per gallon of wine depending on the alcohol content and type, and $10.50 per proof gallon for distilled liquor. (A "proof gallon" is defined as 1 gallon of 100 proof (50 percent) liquor.) Revenues totalled approximately $5.6 billion in FY 1981 and are estimated to reach $5.9 billion in FY 1982.

- o Federal alcohol taxes are collected at the point of entry for imported goods and at the point of manufacture for domestically produced goods.

- o This method of collection results in an uneven distribution among the states. Kentucky, with less than two percent of the nation's population, generates 13 percent of federal alcohol excise taxes; New York, with nine percent of the nation's population, generates 5 percent. On a per capita basis, Wisconsin, a major beer producer, generates 500 times the level of revenues of Utah and 150 times the level of neighboring Iowa.

State Alcohol Excise Taxes

- o State alcohol excise taxes generated $2.4 billion in 1978, approximately 40 percent of the federal level.

- o From 1951 to 1981, state excise taxes on distilled spirits have increased 76%, from $1.50 to $2.71 per proof gallon, with a range from $1.50 per gallon in New Mexico to a high of $4.75 in Florida.

- o Since state alcohol taxes are generally collected through retailers rather than producers, the distribution of revenue collections is considerably more uniform than with federal collections.

- o Even so, per capita alcohol sales differ considerably between states, with Nevada's per capita level 4½ times higher than nearby Idaho's and New Hampshire's level 2½ times higher than neighboring Maine's.

Effects of Current Alcohol Tax Policy

- The consumer price level is now 3.6 times higher than it was in 1951 when federal alcohol taxes were last increased.
- Federal receipts from these taxes dropped from 6.6% of total federal receipts in 1955 to 1.5% in 1980. (Alcohol tax revenues constituted 80% of all federal internal tax collections in 1907 and about 10% at the beginning of World War II.)
- Between 1960 and 1980 the "real" cost to the consumer of a bottle of liquor declined by 48%, of beer by 27%, and of wine by 19%.

Effects on Price of a Change in Tax Policy

- A fifth of distilled spirits (at 100 proof) has an associated tax of \$2.10. If a bottle now costs \$8, doubling the federal alcohol excise tax would raise the cost to \$10.10 and tripling it would raise the cost to \$12.20. Actually, the price increase would probably prove somewhat less severe since producers and distributors would end up absorbing some portion of the tax increase.
- The current excise tax on beer amounts to about 16¢ per six-pack. On a \$2 six-pack, doubling the beer tax would raise the price by 8% and tripling it would raise the price by 16%.
- The current tax on most wines (3.4¢ a fifth) is almost negligible. Doubling it or tripling the tax would increase the cost per bottle by only one or two percent.

# Tobacco Taxes

## The Federal Tobacco Tax

- The federal tobacco tax of 8¢ per pack was last raised in 1951.
- Like alcohol, federal taxes are levied at the point of production, but with distributional consequences that are even more extreme. North Carolina alone accounts for 50 percent of federal tobacco revenues, and three other states — Georgia, Virginia, and Kentucky — account for 49 of the remaining 50 percent.

## State Tobacco Excise Taxes

- State governments collected $3.6 billion in tobacco excise taxes in 1978, with taxes levied at the point of sale.
- Although the federal excise tax has remained unchanged since 1952, state excise taxes on cigarettes have increased fourfold during this period, from 3¢ to 12¢ per pack on average. They range from a low of 2¢ per pack in North Carolina to a high of 21¢ per pack in Connecticut, Florida, and Massachusetts.

## Effects of Current Tobacco Tax Policy

- Cigarette prices have decreased 25% in real terms since 1954.
- The federal excise tax as a fraction of retail cigarette prices has declined from 35% in 1954 to 13% in 1980.
- All excise taxes — federal, state, and local — have declined as a fraction of retail cigarette prices from 49% in 1954 to 33% in 1980.

## Effects on Price of a Change in Tax Policy

- Doubling the federal excise tax on a package of cigarettes currently costing 70¢ would raise the price by 11%; tripling the tax would raise the price by 22%.

Gasoline Tax

The Federal Gasoline Tax

- The current federal gasoline excise tax of 4¢ per gallon was last changed in 1959.
- The federal gasoline tax is imposed at the refinery level. As a result, the incidence is extremely uneven among the states. Texas accounts for nearly 30 percent of federal gasoline tax revenues, while New York accounts for little more than one percent.

State Gasoline Taxes

- The current weighted average state excise tax on gasoline is 8.9¢ per gallon. This ranges from a low of 5¢ per gallon in Texas to a high of 12¢ per gallon in South Dakota.
- Even if tax rates were uniform, per capita tax revenues would differ considerably between states due to different driving patterns and needs. Drivers in western states use approximately 50 percent more gasoline per capita than drivers in New England.

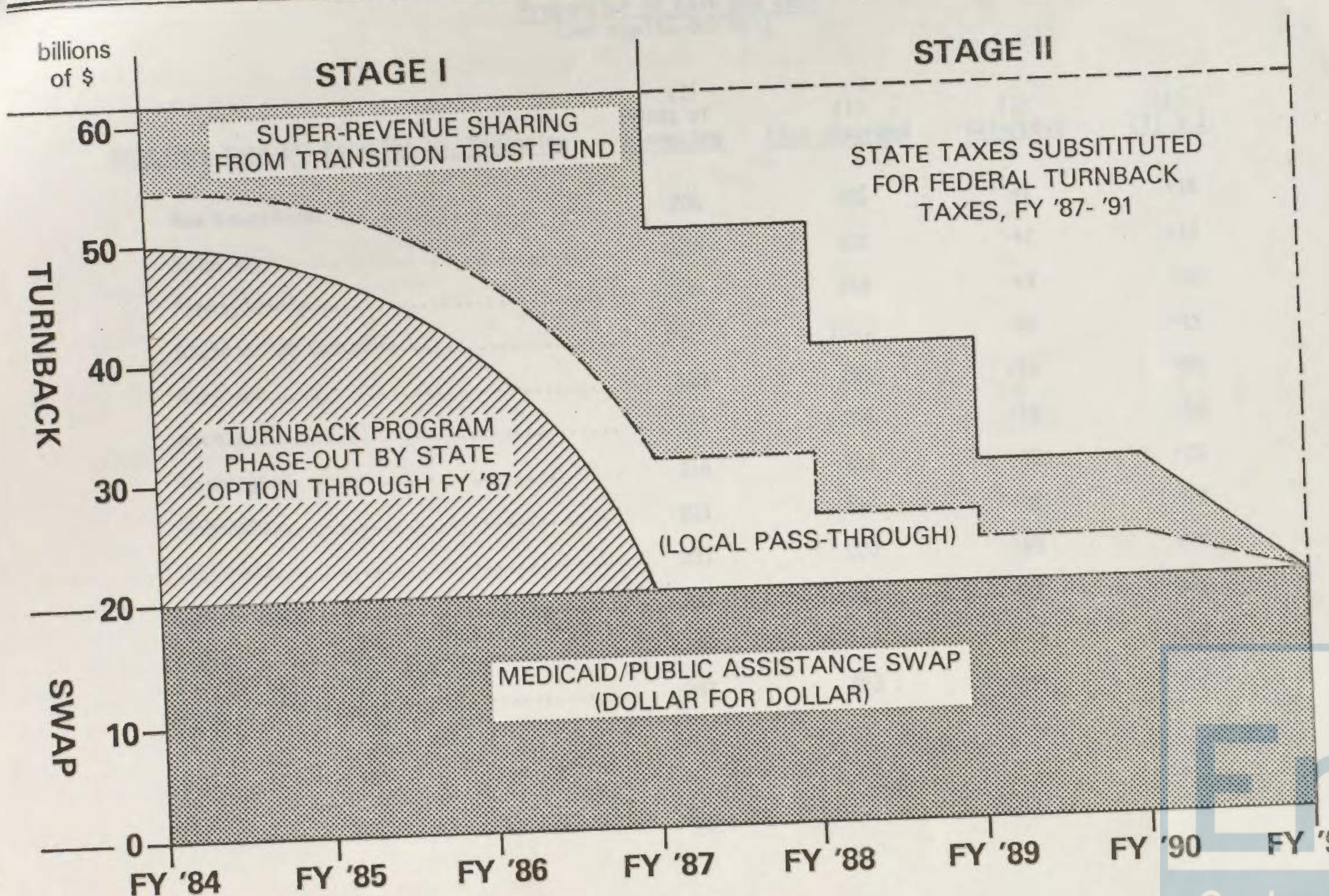
Effects of Current Gasoline Tax Policy

- In 1959, state, local, and federal taxes accounted for 10.14¢ of the average price of gasoline of 31.13¢/gallon, or 32 percent of the price.
- In December, 1981, total excise taxes account for 12.96¢ of the average gasoline price of $1.33/gallon, or just under 10 percent of the price.

Effects on Price of a Change in Tax Policy

- Doubling the federal gasoline excise tax would raise the current gasoline price by 3 percent; tripling the tax would raise the price by 6 percent.

## SCHEMATIC REPRESENTATION OF FEDERALISM INITIATIVE



Winners and Losers by
Proportion of Gain and Loss
(per capita dollars)

| Gain Less than 10% Relative to Financing | (1) Means of Financing | (2) Cost Absorbed | (3) Gain/Loss | (4) (3) ÷ 1 |
|---|---|---|---|---|
| New Hampshire | 206 | 205 | +1 | +1% |
| Colorado | 185 | 183 | +2 | +1% |
| Pennsylvania | 249 | 246 | +3 | +1% |
| District of Columbia | 1041 | 1003 | +38 | +4% |
| Maryland | 268 | 255 | +13 | +5% |
| Michigan | 259 | 245 | +14 | +5% |
| Washington | 216 | 202 | +15 | +7% |
| Nebraska | 211 | 196 | +16 | +7% |
| Illinois | 281 | 260 | +20 | +7% |
| North Dakota | 263 | 241 | +22 | +8% |
| Nevada | 187 | 169 | +19 | +10% |
| California | 247 | 223 | +24 | +10% |

| Gain More than 10% Relative to Financing | (1) Means of Financing | (2) Cost Absorbed | (3) Gain/Loss | (4) (3) ÷ 1 |
|---|---|---|---|---|
| Connecticut | 247 | 218 | +28 | +11% |
| Rhode Island | 307 | 273 | +33 | +11% |
| Massachusetts | 353 | 296 | +57 | +16% |
| Minnesota | 272 | 210 | +62 | +23% |
| New York | 419 | 310 | +109 | +26% |
| Wisconsin | 396 | 206 | +190 | +48% |

| Lose Less than 10% Relative to Financing | (1) Means of Financing | (2) Cost Absorbed | (3) Gain/Loss | (4) (3) - 1 |
|---|---|---|---|---|
| Virginia | 183 | 183 | 0 | 0 |
| Wyoming | 208 | 210 | -2 | -1% |
| Indiana | 177 | 180 | -3 | -2% |
| Utah | 165 | 170 | -5 | -3% |
| Texas | 180 | 185 | -5 | -3% |
| Montana | 248 | 259 | -11 | -4% |
| Ohio | 213 | 226 | -14 | -7% |
| Delaware | 241 | 258 | -17 | -7% |
| Vermont | 299 | 319 | -20 | -7% |

| Lose 10-20% Relative to Financing | Means of Financing | (2) Cost Absorbed | (3) Gain/Loss | (4) (3) ÷ 1 |
|---|---|---|---|---|
| Missouri.................................. | 199 | 218 | -19 | -10% |
| Alaska.................................... | 501 | 558 | -57 | -11% |
| Oregon.................................... | 214 | 237 | -23 | -11% |
| Idaho..................................... | 187 | 212 | -25 | -13% |
| Maine..................................... | 244 | 285 | -40 | -16% |
| Georgia................................... | 225 | 265 | -39 | -17% |
| Hawaii.................................... | 247 | 290 | -43 | -17% |
| North Carolina............................ | 181 | 214 | -33 | -18% |
| Arkansas.................................. | 210 | 251 | -41 | -20% |

Lose 21% or more Relative to Financing

| | | | | |
|---|---|---|---|---|
| West Virginia | 237 | 287 | -50 | -21% |
| Louisiana | 217 | 272 | -55 | -25% |
| Florida | 147 | 185 | -38 | -26% |
| Tennessee | 198 | 253 | -54 | -27% |
| South Carolina | 190 | 249 | -59 | -31% |
| Kentucky | 215 | 281 | -66 | -31% |
| Iowa | 155 | 208 | -53 | -34% |
| Alabama | 196 | 268 | -73 | -37% |
| New Mexico | 201 | 279 | -78 | -39% |
| Mississippi | 229 | 322 | -93 | -41% |
| New Jersey | 161 | 232 | -71 | -44% |
| Arizona | 124 | 182 | -58 | -47% |
| US Average | 241 | 237 | +4 | +2% |

# EXAMPLES OF EFFECT ON CONSUMERS OF INCREASING FEDERAL EXCISE TAXES

**Cigarettes** (retail price per pack)

| | Now | 100% Federal tax increase | 200% Federal tax increase |
|---|---|---|---|
| Pre tax 1/ | $.46 | $.46 | $.46 |
| State tax 2/ | .13 | .13 | .13 |
| Federal tax | .08 | .16 | .24 |
| Total | $.67 | $.75 | $.83 |

**Beer** (retail price per six-pack)

| | Now | 100% Federal tax increase | 200% Federal tax increase |
|---|---|---|---|
| Pre tax 1/ | $2.15 | $2.15 | $2.15 |
| State tax 2 | .09 | .09 | .09 |
| Federal tax | .16 | .32 | .48 |
| Total | $2.40 | $2.56 | $2.72 |

**Wine** (retail price per liter)

| | Now | 100% Federal tax increase | 200% Federal tax increase |
|---|---|---|---|
| Pre tax 1/ | $2.86 | $2.86 | $2.86 |
| State tax 2/ | .10 | .10 | .10 |
| Federal tax | .04 | .08 | .12 |
| Total | $3.00 | $3.04 | $3.08 |

**Distilled Spirits** (retail price per fifth of gin)

| | Now | 100% Federal tax increase | 200% Federal tax increase |
|---|---|---|---|
| Pre tax 1/ | $2.89 | $2.89 | $2.89 |
| State tax 2/ | .43 | .43 | .43 |
| Federal tax | 1.68 | 3.36 | 5.04 |
| Total | $5.00 | $6.68 | $8.36 |

**Gasoline** (retail price per gallon)

| | Now | 100% Federal tax increase | 200% Federal tax increase |
|---|---|---|---|
| Pre tax 1/ | $1.26 | $1.26 | $1.26 |
| State tax 2/ | .10 | .10 | .10 |
| Federal tax | .04 | .08 | .12 |
| Total | $1.40 | $1.44 | $1.48 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 21, 1981

1/ Includes state general sales taxes where applicable.
2/ State tax rates vary considerably by state.

The Revenue Effect of Increasing Selected Federal Excise Tax Rates on January 1, 1983

($ billions)

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 |
| **Gross receipts:** | | | | |
| Telephone Excise Tax | | | | |
| Current law receipts (2 percent in 1980; 1 percent in 1981-1984; 0 percent thereafter) | 0.6 | 0.7 | 0.3 | 0.0 |
| Proposed Law: | | | | |
| 3 Percent addition (total rate of 4 percent in 1983 and thereafter) | | | | |
| **Additional receipts** | 1.2 | 2.2 | 2.9 | 3.6 |
| **Total receipts** | 1.8 | 2.9 | 3.2 | 3.6 |
| 6 Percent addition (total rate of 7 percent in 1983 and thereafter) | | | | |
| Additional receipts | 2.5 | 4.4 | 5.9 | 7.2 |
| Total receipts | 3.1 | 5.1 | 6.2 | 7.2 |
| Alcohol Excise Taxes | | | | |
| Current law receipts | 5.9 | 6.0 | 6.1 | 6.1 |
| Proposed Law: | | | | |
| 100 Percent increase: | | | | |
| Additional receipts | 3.0 | 5.0 | 5.0 | 5.1 |
| Total receipts | 8.9 | 11.0 | 11.1 | 11.2 |
| 200 Percent increase: | | | | |
| Additional receipts | 4.5 | 10.0 | 10.0 | 10.3 |
| Total receipts | 10.4 | 16.0 | 16.1 | 16.4 |
| Tobacco Excise Taxes | | | | |
| Current law receipts | 2.7 | 2.7 | 2.7 | 2.8 |
| Proposed Law: | | | | |
| 100 Percent increase: | | | | |
| Additional receipts | 1.3 | 2.5 | 2.5 | 2.5 |
| Total receipts | 4.0 | 5.2 | 5.2 | 5.3 |
| 200 Percent increase: | | | | |
| Additional receipts | 2.5 | 4.5 | 4.5 | 4.6 |
| Total receipts | 5.2 | 7.2 | 7.2 | 7.4 |

The Revenue Effect of Increasing Selected Federal Excise Tax Rates
on January 1, 1983

($ billions)

| | Fiscal Years 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|
| Motor Fuels Excise Tax | | | | |
| Current law receipts .............................. | 4.4 | 4.3 | 4.2 | 4.1 |
| Proposed Law: | | | | |
| 100 Percent increase: | | | | |
| Additional receipts .......................... | 3.0 | 4.2 | 4.0 | 4.0 |
| Total receipts ................................ | 7.4 | 8.5 | 8.2 | 8.1 |
| 200 Percent increase: | | | | |
| Additional receipts .......................... | 5.9 | 8.2 | 7.9 | 7.8 |
| Total receipts ................................ | 10.3 | 12.5 | 12.1 | 11.9 |
| Total Gross Receipts | | | | |
| Current law receipts ...................... | 13.6 | 13.7 | 13.3 | 13.0 |
| Proposed Law: | | | | |
| 100 Percent increase: | | | | |
| Additional receipts .................. | 8.5 | 13.9 | 14.4 | 15.2 |
| Total receipts ........................ | 22.1 | 27.6 | 27.7 | 28.2 |
| 200 Percent increase: | | | | |
| Additional receipts .................. | 15.4 | 27.1 | 28.3 | 29.9 |
| Total receipts ........................ | 29.0 | 40.8 | 41.6 | 42.9 |
| Income Tax Offset: 1/ | | | | |
| 100 Percent increase .............................. | -2.3 | -3.8 | -3.9 | -4.1 |
| 200 Percent increase .............................. | -4.3 | -7.3 | -7.6 | -8.1 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 21, 1981

1/ Excise taxes are a wedge between gross national product and factor incomes. Increasing excise taxes, therefore, reduces factor incomes and federal income tax receipts.

Note: Details may not add to totals due to rounding. Estimates are based on the December 3, 1981 economic scenario.

INCREASE EXCISE TAXES
ON TOBACCO AND ALCOHOL, TELEPHONE SERVICE, AND GASOLINE

**Proposal:**

Increase the Federal excise tax rates imposed on tobacco products, beer and wine, distilled spirits, telephone services, and gasoline. The rate of tax on each of these items would be increased by 100 percent or 200 percent. The effect of these increases on some typical consumer prices is presented in the attached table.

**Pro:**

- The tobacco and alcohol tax rates currently in effect were imposed in 1951. Since 1951, the consumer price index has increased by over 350 percent while the Federal tax per unit of output for most alcohol and tobacco products has remained constant. The tax on telephone service has been reduced by Congress from 10 percent in 1973 to 2 percent in 1981. The Federal motor fuels tax rate has remained at 4 cents per gallon since 1959; even a tripling of this rate would leave the tax rate no higher (as a fraction of the price of gasoline) than in the early 1970's.

- Consumption of alcohol and tobacco products, particularly hard liquor and cigarettes, imposes substantial social costs in the form of additional health care costs (many of which are subsidized by Federal programs), increased traffic fatalities, and overall losses in productivity. Higher taxes on alcohol and tobacco products can be justified on the grounds that consumers of these products generally should pay a greater share of the social costs of alcohol and tobacco consumption.

- Higher taxes on gasoline would encourage energy conservation and reduce dependence on imported oil.

- If desired, some of the revenues from higher excise taxes could be "turned back" to the States either as a form of revenue sharing or in exchange for taking over certain programs which are now run by the Federal government.

Con:

- o In general, selective excise taxes are inconsistent with the Administration's philosophy and impose unnecessary economic inefficiencies. They distort the choice of consumers between taxed goods and untaxed goods by compelling consumers to face relative prices for taxed goods in excess of the economic and social costs of production.

- o Higher excise taxes are, at best, a very imperfect charge for the social costs which are being addressed. All consumers of beer, wine and distilled spirits, for example, would be forced by a higher tax to pay for the social costs resulting from excess consumption of a minority of drinkers. Similarly, if a reduction in oil imports is desired, an import fee which raised prices to all users of oil would be preferable to a tax which singled out motor fuel users.

- o Any tax induces efforts to evade or otherwise avoid the tax. A higher tax on alcohol, for instance, will encourage more attempts to smuggle in excess amounts of liquor from foreign countries. However, income taxes also encourage evasion, and administration of excise taxes is in general no more difficult than administration of income taxes.

Revenue Effect of Imposing A $3 Per Barrel Excise Tax on Oil,
Effective January 1, 1983

($ billions)

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 |
| Gross receipts ........................................ | 11.3 | 18.8 | 18.5 | 18.2 |
| Income tax offset 1/ ................................ | -3.1 | -5.1 | -5.0 | -4.9 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 21, 1981

1/ Excise taxes are a wedge between gross national product and factor incomes. Increasing excise taxes therefore, reduces factor incomesand federal income tax receipts.

# Oil Excise Tax

**Proposal:**

Impose a $3 per barrel excise tax on oil.

**Pros:**

The U.S. economy remains dependent on oil imported from insecure foreign sources. A tax on domestic oil consumption would be a cost-effective way of reducing oil imports because it would rely directly on the price mechanism, rather than on cumbersome and inefficient regulations and subsidies.

An oil tax could be viewed as an appropriate way to finance the Strategic Petroleum Reserve because it is consumers of oil who will ultimately benefit from the release of domestic oil stockpiles in the event of a cutoff of imported oil.

Present conditions in the oil market provide an excellent opportunity to impose this tax without imposing severe dislocations on consumers or oil-dependent industries. Oil prices have been declining since the beginning of the year; a $3 per barrel tax would not raise prices above those prevailing early in 1981.

An oil excise tax would be a tax on consumers of oil products and would not reduce the return to investment or the incentive to save.

An oil excise tax would not reduce returns to domestic producers; moreover higher oil prices would encourage development of alternative energy sources.

**Cons:**

An oil excise tax would raise the price of oil above its replacement cost at current world prices. It would therefore lead to a loss in economic efficiency, absent national security considerations, causing too little oil consumption relative to more expensive alternative fuels and resulting in conservation not dictated by current market conditions.

It is unclear how much reducing oil imports improves national security. It may be preferable to import as much as economically justified, relying on stockpiling as insurance against any future oil supply emergency.

An oil excise tax would impose additional burdens on those consumer groups, industries, and regions of the country most hurt by decontrol and the OPEC price increases of the 1970s.

Revenue Effect of Imposing a Windfall Profit Tax on Natural Gas,
Effective January 1, 1983

($ billions)

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 |
| Gross receipts ...................................... | 7.7 | 17.5 | 20.2 | 19.4 |
| Income tax offset 1/ .............................. | -3.1 | -7.0 | -8.1 | -7.7 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 21, 1981

1/ Reflects the reduction in income taxes paid by producers resulting from the deductibility of the tax.

Note: The estimate is not based on a specific proposal but rather assumes that the proposal would capture approximately half of the additional producer revenues resulting from decontrol of gas prices.

Natural Gas Windfall Profit Tax

Proposal:

Impose an excise tax on natural gas producers which would capture about 50 percent of the difference between the market price of natural gas at the wellhead and the allowable price under controls imposed by the Natural Gas Policy Act. (This type of proposal is usually called a "windfall profit" tax.)

Pros:

Natural gas producers will receive substantial unanticipated income from accelerated decontrol. A "windfall profit" tax could capture a fraction of this additional income for the Federal government, and still leave producers with large net gains.

A windfall profit tax may be the necessary political price for gas decontrol. Accelerated decontrol would remove the major remaining impediment to efficient use of resources in the energy sector. It would increase domestic energy production, further energy conservation, reduce oil imports, and improve economic efficiency. On all of these grounds, decontrol with a windfall tax is preferable to no decontrol.

A natural gas windfall profit tax would raise substantial revenues and have a significant favorable impact on budget deficits over the next several years.

Cons:

The President has specifically promised in writing to veto a windfall profit tax on natural gas.

Compared to decontrol without a tax, a windfall tax would have some production disincentives and would impede development of the least cost sources of energy.

Any windfall tax on the increased revenues from natural gas production is likely to involve some significant complexities because of the many different categories of gas defined under the NGPA.

# MINUTES
# CABINET COUNCIL ON ECONOMIC AFFAIRS

December 22, 1981
8:45 a.m.
Roosevelt Room

Attendees: Messrs. Regan, Lewis, Block, Schweiker, Weidenbaum, Anderson, Porter, Wright, MacDonald, Sprinkel, Williamson, Savas, Gray, Niskanen, Lovell, Bailey, Dederick, Balabinis, Chiles, Cicconi, Fowler, Garrett, Gribbin, Hopkins, Stanley, Valis, Bledsoe, Cribb, and Hemel.

1. Transportation User Fees

The Council reviewed a paper on transportation user fees and highway construction and maintenance needs prepared by the Department of Transportation.

Secretary Lewis's presentation focused on the history of transportation user fees, the deterioration of the nation's highways and bridges, the financial condition of the highway trust fund, and the remaining construction needed on the interstate highway system. Secretary Lewis also distributed a chart comparing trends in highway construction costs and revenues from federal and state gasoline user charges.

The discussion focused on the states and localities role in making primary and secondary road decisions, the effective date of any user fee increases, the sources of political opposition to increases in user fees, and the merits of funding mass transit programs by drawing from highway user charges.

The discussion also considered the relationship of this proposal to the efforts of the Working Group on the Transfer of Federal Programs and Revenue Resources, and the relationship to other possible fiscal policy measures.

Decision

The Council requested the Department of Transportation to continue developing its proposal so that it can be considered by the President in conjunction with other FY 1983 fiscal policy alternatives.

2. Financial Market Developments

The Council reviewed a paper and a series of charts describing

Department of the Treasury
Washington, D.C. 20220

# MEMORANDUM

**Date:** DEC 22 1981

**To:** Roger Porter
Counselor to the Secretary

**From:** John G. Wilkins, Director
Office of Tax Analysis

**Subject:** Federal Excise Turnbacks, Distributed by States

Attached is the table you spoke to Chris Vaughn about this morning. It shows the amount of money the States would receive in fiscal years 1983 through 1986 if the Federal excise tax rates on alcohol, tobacco, and motor fuels were tripled and the full amount of tax were returned to the States.

The first four columns of figures show the distribution by States if the Federal government continues to collect the tax and to return it to the States on a per capita basis. The last four columns of figures indicate amounts that would be collected at point of sale by the States.

This kind of analysis requires some time to do carefully. Thus, these figures should be taken as fairly good approximations, and nothing more. In order to complete this project quickly, we assumed, for example, that there is no shift in the population distribution within and between states after 1980. These projected distributions also do not take into account the fact that this kind of program might create a strong incentive for States to reduce their own tax rates to those of neighboring States in order not to lose large amounts of turned back revenue because state residents shop across state borders.

I would like to remind you that any program to return Federal excises to the States involves a partial offset of Federal income tax revenues.

Attachment

*Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan*

TD F 80-02.1
Replaces TD F 10-01.8 which may be used

Increase in State Revenues if Federal Excise Rates on Tobacco, Alcoholic Beverages, and Motor Fuels are Tripled and Returned in Full to the States Effective January 1, 1983

($ millions)

| State | Fiscal Year Receipts | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Federal Collection with Per Capita Distribution | | | | State Collection At Point of Sale | | | |
| | 1983 | 1984 | 1985 | 1986 | 1983 | 1984 | 1985 | 1986 |
| Alabama | 459 | 611 | 609 | 613 | 416 | 545 | 541 | 544 |
| Alaska | 47 | 63 | 63 | 63 | 49 | 65 | 65 | 65 |
| Arizona | 321 | 427 | 426 | 429 | 371 | 493 | 492 | 495 |
| Arkansas | 270 | 359 | 358 | 360 | 252 | 329 | 327 | 329 |
| California | 2,796 | 3,715 | 3,706 | 3,732 | 2,931 | 3,904 | 3,897 | 3,927 |
| Colorado | 341 | 453 | 452 | 455 | 368 | 492 | 490 | 494 |
| Connecticut | 367 | 488 | 487 | 490 | 315 | 418 | 418 | 422 |
| Delaware | 70 | 93 | 93 | 94 | 72 | 96 | 95 | 96 |
| Florida | 1,150 | 1,529 | 1,525 | 1,536 | 1,257 | 1,674 | 1,671 | 1,683 |
| Georgia | 645 | 858 | 856 | 861 | 647 | 850 | 846 | 850 |
| Hawaii | 114 | 151 | 151 | 152 | 120 | 163 | 163 | 165 |
| Idaho | 111 | 148 | 148 | 149 | 117 | 155 | 155 | 155 |
| Illinois | 1,349 | 1,792 | 1,788 | 1,800 | 1,289 | 1,723 | 1,722 | 1,736 |
| Indiana | 648 | 862 | 860 | 866 | 644 | 852 | 849 | 853 |
| Iowa | 344 | 457 | 456 | 459 | 347 | 461 | 459 | 462 |
| Kansas | 279 | 371 | 370 | 373 | 273 | 360 | 358 | 359 |
| Kentucky | 432 | 575 | 573 | 577 | 435 | 575 | 574 | 577 |
| Louisiana | 497 | 660 | 658 | 663 | 507 | 671 | 669 | 673 |
| Maine | 133 | 177 | 176 | 177 | 131 | 174 | 173 | 175 |
| Maryland | 498 | 662 | 660 | 665 | 490 | 654 | 654 | 660 |
| Massachusetts | 678 | 900 | 898 | 905 | 640 | 856 | 857 | 864 |
| Michigan | 1,094 | 1,453 | 1,450 | 1,460 | 1,099 | 1,465 | 1,463 | 1,475 |
| Minnesota | 482 | 640 | 638 | 643 | 474 | 628 | 626 | 629 |
| Mississippi | 298 | 396 | 395 | 397 | 275 | 363 | 361 | 363 |
| Missouri | 581 | 772 | 770 | 775 | 598 | 789 | 787 | 792 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Montana | 93 | 124 | 123 | 124 | 112 | 148 | 147 | 149 |
| Nebraska | 185 | 246 | 246 | 248 | 199 | 263 | 262 | 265 |
| Nevada | 94 | 125 | 125 | 126 | 148 | 198 | 198 | 199 |
| New Hampshire | 109 | 145 | 144 | 145 | 149 | 201 | 203 | 205 |
| New Jersey | 870 | 1,156 | 1,153 | 1,161 | 788 | 1,050 | 1,049 | 1,055 |
| New Mexico | 154 | 204 | 204 | 205 | 176 | 232 | 230 | 232 |
| New York | 2,074 | 2,756 | 2,749 | 2,768 | 1,701 | 2,291 | 2,294 | 2,318 |
| North Carolina | 694 | 922 | 920 | 926 | 715 | 945 | 942 | 947 |
| North Dakota | 77 | 102 | 102 | 103 | 82 | 109 | 109 | 109 |
| Ohio | 1,275 | 1,695 | 1,691 | 1,702 | 1,237 | 1,642 | 1,637 | 1,647 |
| Oklahoma | 357 | 475 | 474 | 477 | 368 | 481 | 478 | 480 |
| Oregon | 311 | 413 | 412 | 415 | 336 | 446 | 446 | 448 |
| Pennsylvania | 1,402 | 1,863 | 1,858 | 1,871 | 1,301 | 1,735 | 1,733 | 1,746 |
| Rhode Island | 112 | 149 | 148 | 149 | 110 | 149 | 148 | 150 |
| South Carolina | 368 | 490 | 488 | 492 | 368 | 486 | 484 | 486 |
| South Dakota | 82 | 108 | 108 | 109 | 82 | 108 | 107 | 107 |
| Tennessee | 542 | 721 | 719 | 724 | 525 | 691 | 688 | 690 |
| Texas | 1,681 | 2,233 | 2,228 | 2,243 | 1,967 | 2,599 | 2,590 | 2,605 |
| Utah | 173 | 229 | 229 | 230 | 134 | 174 | 174 | 174 |
| Vermont | 60 | 80 | 80 | 81 | 65 | 87 | 87 | 88 |
| Virginia | 631 | 839 | 837 | 843 | 627 | 832 | 829 | 835 |
| Washington | 488 | 648 | 647 | 651 | 483 | 641 | 639 | 644 |
| West Virginia | 230 | 306 | 305 | 307 | 189 | 250 | 248 | 249 |
| Wisconsin | 556 | 738 | 737 | 742 | 608 | 813 | 814 | 821 |
| Wyoming | 56 | 74 | 74 | 74 | 83 | 109 | 108 | 110 |
| District of Columbia | 75 | 100 | 100 | 101 | 79 | 108 | 110 | 110 |
| U.S. Total | 26,754 | 35,550 | 35,468 | 35,711 | 26,754 | 35,550 | 35,468 | 35,711 |

December 22, 1981

Office of the Secretary of the Treasury
Office of Tax Analysis

Note: Details may not add to totals due to rounding.

Limited distribution

INFORMATION

Date: DEC 23 1981

**MEMORANDUM FOR:** SECRETARY REGAN

**From:** John E. Chapoton
Assistant Secretary (Tax Policy)

**Subject:** Revenue Raising Proposals

Attached are four tables. The first three show the revenue effects of three different packages of revenue raising tax changes. The fourth shows the revenue effects of some reversals of parts of ERTA which may be recommended in Congress.

The reason the first three tables show three different packages of revenue raisers is that there was some confusion concerning precisely what amount of revenue is to be raised. I will explain the rationale behind each table using the figures for FY 84. In the first table the tax changes shown will raise \$65.9 billion in FY 84. This package was chosen to show how we can reduce a \$114 billion deficit in 1984 to under \$50 billion by tax measures alone.

The second table shows a package which raises approximately \$80 billion in FY 84 and raises certain excise taxes and increases collection efforts. In total the package raises \$47.9 billion. \$11 billion of the \$47.9 billion includes doubling existing excise taxes on tobacco, telephone, beer and wine and distilled spirits and increasing the motor fuels tax. Two "collection" measures are also included in the table: staffing increases for the IRS and withholding on interest and dividends. The collection measures raise \$3.4 billion. The remaining changes (the President's September 24 list, a \$3 per barrel tax on oil and a windfall profit tax on natural gas) raise approximately \$33.6 billion. (Because of time constraints we have not included any interaction between the oil tax and the windfall profits tax on natural gas, that interaction may raise an additional \$1.5 billion.)

The third table shows a package which raises, in total, \$33.6 billion in FY 84 including excise tax increases and collection measures.

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | Ballentine | | | | | |
| Initials / Date | / | / | / | / | / | / |

OS F 10-01.11 (2-80) which replaces OS 3129 which may be used until stock is depleted

Attachments

Table 1

**The Effect on Fiscal Year Receipts of Selected Revenue Raising Proposals**

**(Based on the Preliminary 1983 Budget Economic Scenario)**

($ billions)

| | Fiscal Years | | | | |
|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 | 1987 |
| President's September Tax Code revisions: | | | | | |
| Completed contract accounting | 2.4 | 3.9 | 3.0 | 2.8 | 2.3 |
| Energy tax credits | 0.1 | 1.1 | 1.5 | 1.3 | 0.6 |
| Tax-exempt industrial development bonds | * | 0.3 | 0.8 | 1.5 | 2.2 |
| Modified coinsurance | 1.1 | 2.2 | 2.5 | 2.7 | 3.0 |
| Unemployment benefits | 0.1 | 0.7 | 0.6 | 0.5 | 0.5 |
| Acceleration of corporate income tax payments 1/ | 1.2 | 1.2 | 0.3 | 0.1 | * |
| Total President's September Tax Code revisions | 4.9 | 9.4 | 8.7 | 8.9 | 8.6 |
| Staffing increases for the Internal Revenue Service | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Withholding on interest and dividends (5 percent rate): | | | | | |
| Taxpayers aged 65 and older with $500 tax liability or less ($1,000 joint returns) are exempt: | | | | | |
| Accelerated collections | 1.4 | 0.2 | 0.2 | 0.2 | 0.4 |
| Compliance | 0.5 | 1.1 | 1.2 | 1.4 | 1.5 |
| Total | 2.0 | 1.3 | 1.4 | 1.6 | 1.9 |
| Doubling excise tax rates: | | | | | |
| Tobacco | 0.9 | 1.8 | 1.8 | 1.8 | 1.8 |
| Telephone | 0.9 | 1.6 | 2.1 | 2.6 | 2.9 |
| Beer and wine | 0.9 | 1.3 | 1.4 | 1.4 | 1.4 |
| Distilled spirits | 1.2 | 2.3 | 2.3 | 2.3 | 2.4 |
| Total excises | 4.0 | 7.0 | 7.6 | 8.1 | 8.5 |
| 10 percent sales tax on luxury items | 1.1 | 1.8 | 1.9 | 2.1 | 2.2 |
| $3 per barrel excise tax on oil | 8.3 | 13.7 | 13.5 | 13.3 | 13.0 |
| Windfall profit tax on natural gas 2/ | 4.6 | 10.5 | 12.1 | 11.6 | 10.9 |
| Increase motor fuels tax from 4 cents per gallon to 7 cents in 1983, 10 cents in 1984, and 14 cents in 1985 and thereafter | 1.7 | 4.0 | 6.8 | 7.7 | 7.6 |
| Eliminate the general sales tax deduction | 0.8 | 5.1 | 5.8 | 6.4 | 7.2 |
| Inclusion of employer payments in excess of $100-$150 per month for medical expenses and insurance premiums in employee income 2/: | | | | | |
| Income tax | 4.7 | 7.2 | 8.2 | 9.3 | 10.8 |
| Social security tax | 2.4 | 3.9 | 4.5 | 5.4 | 6.1 |
| Total | 7.1 | 11.1 | 12.7 | 14.7 | 16.9 |
| Total | 35.5 | 65.9 | 72.5 | 76.4 | 78.8 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 23, 1981

1/ Assumes enactment of the other proposals.

2/ The estimate is not based on a specific proposal. The amounts shown are rough estimates of the increase in receipts that could be obtained.

Note: Details may not add to totals due to rounding. All proposals are effective January 1, 1983. Estimates do not include interaction with other proposals.

*Less than $500 thousand.

Table 2

The Effect on Fiscal Year Receipts of Selected Revenue Raising Proposals

(Based on the Preliminary 1983 Budget Economic Scenario)

($ billions)

| | Fiscal Years | | | | |
|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 | 1987 |
| President's September Tax Code revisions: | | | | | |
| Completed contract accounting | 2.4 | 3.9 | 3.0 | 2.8 | 2.3 |
| Energy tax credits | 0.1 | 1.1 | 1.5 | 1.3 | 0.6 |
| Tax-exempt industrial development bonds | * | 0.3 | 0.8 | 1.5 | 2.2 |
| Modified coinsurance | 1.1 | 2.2 | 2.5 | 2.7 | 3.0 |
| Unemployment benefits | 0.1 | 0.7 | 0.6 | 0.5 | 0.5 |
| Acceleration of corporate income tax payments 1/ | 1.2 | 1.2 | 0.3 | 0.1 | * |
| Total President's September Tax Code revisions | 4.9 | 9.4 | 8.7 | 8.9 | 8.6 |
| $3 per barrel excise tax on oil | 8.3 | 13.7 | 13.5 | 13.3 | 13.0 |
| Windfall profit tax on natural gas 2/ | 4.6 | 10.5 | 12.1 | 11.6 | 10.9 |
| Staffing increases for the Internal Revenue Service | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Withholding on interest and dividends (5 percent rate): | | | | | |
| Taxpayers aged 65 and older with $500 tax liability or less ($1,000 joint returns) are exempt: | | | | | |
| Accelerated collections | 1.4 | 0.2 | 0.2 | 0.2 | 0.4 |
| Compliance | 0.5 | 1.1 | 1.2 | 1.4 | 1.5 |
| Total | 2.0 | 1.3 | 1.4 | 1.6 | 1.9 |
| Doubling excise tax rates: | | | | | |
| Tobacco | 0.9 | 1.8 | 1.8 | 1.8 | 1.8 |
| Telephone | 0.9 | 1.6 | 2.1 | 2.6 | 2.9 |
| Beer and wine | 0.9 | 1.3 | 1.4 | 1.4 | 1.4 |
| Distilled spirits | 1.2 | 2.3 | 2.3 | 2.3 | 2.4 |
| Total excises | 4.0 | 7.0 | 7.6 | 8.1 | 8.5 |
| Increase motor fuels tax from 4 cents per gallon to 7 cents in 1983, 10 cents in 1984, and 14 cents in 1985 and thereafter | 1.7 | 4.0 | 6.8 | 7.7 | 7.6 |
| Total | 26.5 | 47.9 | 52.1 | 53.2 | 52.5 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 18, 1981

1/ Assumes enactment of the other proposals.

2/ The estimate is not based on a specific proposal. The amounts shown are rough estimates of the increase in receipts that could be obtained.

Note: Details may not add to totals due to rounding. All proposals are effective January 1, 1983. Estimates do not include interaction with other proposals.

*Less than $500 thousand.

Table 3

The Effect on Fiscal Year Receipts of Selected Revenue Raising Proposals

(Based on the Preliminary 1983 Budget Economic Scenario)

($ billions)

| | Fiscal Years | | | | |
|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 | 1987 |
| President's September Tax Code revisions: | | | | | |
| Completed contract accounting ........................ | 2.4 | 3.9 | 3.0 | 2.8 | 2.3 |
| Energy tax credits ................................... | 0.1 | 1.1 | 1.5 | 1.3 | 0.6 |
| Tax-exempt industrial development bonds ............... | * | 0.3 | 0.8 | 1.5 | 2.2 |
| Modified coinsurance .................................. | 1.1 | 2.2 | 2.5 | 2.7 | 3.0 |
| Unemployment benefits ................................. | 0.1 | 0.7 | 0.6 | 0.5 | 0.5 |
| Acceleration of corporate income tax payments 1/ ...... | 1.2 | 1.2 | 0.3 | 0.1 | * |
| Total President's September Tax Code revisions ...... | 4.9 | 9.4 | 8.7 | 8.9 | 8.6 |
| Staffing increases for the Internal Revenue Service ..... | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Withholding on interest and dividends (5 percent rate): | | | | | |
| Taxpayers aged 65 and older with $500 tax liability or less ($1,000 joint returns) are exempt: | | | | | |
| Accelerated collections ........................... | 1.4 | 0.2 | 0.2 | 0.2 | 0.4 |
| Compliance ........................................ | 0.5 | 1.1 | 1.2 | 1.4 | 1.5 |
| Total ............................................. | 2.0 | 1.3 | 1.4 | 1.6 | 1.9 |
| Doubling excise tax rates: | | | | | |
| Tobacco ............................................... | 0.9 | 1.8 | 1.8 | 1.8 | 1.8 |
| Telephone ............................................. | 0.9 | 1.6 | 2.1 | 2.6 | 2.9 |
| Beer and wine ......................................... | 0.9 | 1.3 | 1.4 | 1.4 | 1.4 |
| Distilled spirits ..................................... | 1.2 | 2.3 | 2.3 | 2.3 | 2.4 |
| Total excises ....................................... | 4.0 | 7.0 | 7.6 | 8.1 | 8.5 |
| $3 per barrel excise tax on oil........................... | 8.3 | 13.7 | 13.5 | 13.3 | 13.0 |
| Total...................................................... | 20.2 | 33.4 | 33.2 | 33.9 | 34.0 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 18, 1981

1/ Assumes enactment of the other proposals.

Note: Details may not add to totals due to rounding. All proposals are effective January 1, 1983. Estimates do not include interaction with other proposals.

*Less than $500 thousand.

Table 4

The Effect on Fiscal Year Receipts of Eliminating
or Postponing Selected Tax Provisions
of the Economic Recovery Tax Act of 1981

(Based on the Preliminary 1983 Budget Economic Scenario)

($ billions)

| | Fiscal Years | | | | | |
|---|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
| Eliminate leasing (January 1, 1982) | 1.2 | 3.3 | 5.0 | 7.0 | 9.3 | 11.7 |
| Eliminate windfall profit tax provisions (January 1, 1982): | | | | | | |
| Royalty owners' exemption ..... | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 | 0.8 |
| Producers' exemption .......... | -- | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 |
| Reduced rate on newly-discovered oil .............. | * | 0.1 | 0.2 | 0.4 | 0.8 | 1.1 |
| Total ..................... | 0.7 | 1.2 | 1.5 | 1.8 | 2.2 | 2.4 |
| Individual tax rate reductions: | | | | | | |
| Eliminate last phase (10 percent) of the tax cut................ | -- | 6.8 | 30.1 | 34.2 | 37.5 | 40.6 |
| Total....................... | 1.9 | 11.3 | 36.6 | 43.0 | 49.0 | 54.7 |

Office of the Secretary of the Treasury
Office of Tax Analysis

December 18, 1981

* Less than $50 million.

Note: Estimates do not include interaction with other proposals.

THE WHITE HOUSE

WASHINGTON

December 23, 1981

MEMORANDUM FOR DONALD T. REGAN

FROM: ROGER B. PORTER RBP

SUBJECT: The Federalism Initiative

Shortly after the Cabinet Council on Economic Affairs meeting yesterday morning I left for New York to meet with Bill Simon on the National Productivity Advisory Committee. The meeting went well and I will report to you more fully on it later. The purpose of this brief memo is to share an idea or two with respect to the federalism initiative currently under discussion.

When I returned last night there was a call from Dave Stockman who indicated that you, Jim Baker, Ed Meese, himself, et.al., had decided to take the federalism idea to the President on Wednesday morning rather than wait until after the first of the year. He also indicated that you would make the presentation.

I don't believe it is essential to go into a great deal of detail in such an initial presentation. But several things occurred to me late last night that you may wish to consider.

1. Objectives. When I presented the paper to the legislative strategy group on Monday, there was a strong feeling among many that the idea should be presented to the President as a concept in federalism — fulfilling his domestic policy agenda, and a significant, constructive legislative proposal.

I agree with that emphasis. However, in view of the President's previous statements on the transfer of federal programs and revenue resources, I believe that it is important for him to understand that the proposal as presently designed (specifically the provision that the states would receive only $3 in revenues for every $4 in program responsibility) has an additional objective — narrowing the budget gap.

2. The Rationale for Selecting Particular Taxes for Transfer. Another important feature of the proposal is the revenue raising aspect. We can report that we have examined all types of federal revenues that might be transfered to the states — the personal income tax, corporate income tax, social security taxes, tariffs, estate and gift taxes, and excise taxes — and determined that among these the most appropriate ones for transfer were excise taxes.

You should be aware that in February 1976, Ronald Reagan, then a presidential candidate, talked about returning federal taxes on liquor and cigarettes and also added: "Approximately one-third of federal revenues come from the federal income tax. A portion of this tax, presently paid by the citizens of all our states, could be earmarked and kept in each state."

There are two, I believe compelling, arguments for transferring excise taxes. First, they are jointly levied by the federal government and all state governments <u>and</u> the federal taxes on them have not been increased in over two decades in the case of gasoline (1959) and in three decades in the case of alcohol and tobacco (1951). Second, the only other genuine candidate (the personal income tax) has just been changed at the federal level and I, for one, would be hesitant opening that tax issue up again. The House Ways and Means Committee Democrats would like nothing better.

The alternative to raising and transfering excise taxes is to raise some new revenues ($3 a barrel oil import fee or a windfall profits tax on decontrolled natural gas) and transfer those revenues to the states. That would obviously require a trust fund, since states cannot levy import fees and the distribution of a windfall profits tax on decontrolled natural gas is so uneven among states.

3. <u>The Redistribution Problem</u>.

Even if one supports an excise tax increase (and I am convinced one can make a good substantive case for doing so) a distribution problem remains.

For the last two decades, at least, the federal government's taxing and spending policies, rightly or wrongly, have redistributed income among states. I remember well this being one of the principal arguments during the debate over federal aid to education in 1962. Proponents of the legislation argued that a child in Mississippi deserved an opportunity for a quality education as much as a child in New York. At the time New York spent $1,400 per pupil while Mississippi spent a little over $200 per pupil. There was the inevitable confusion between quality and quantity — as the Coleman Report conclusively established, simply spending more money does not necessarily improve the quality of education.

But the essential point I would emphasize is that over the last two decades the maze of federal, state and local spending programs have produced a scrambled egg federal system. Unscrambling the egg will be difficult. No point came out more forcefully in our Cabinet Council discussion last Friday than that states who will "lose" relative to other states will oppose any transfer program. Put another way, if a state determines that it is worse off relative to other states under the new arrangement than under the status quo they will almost certainly oppose the scheme.

The simple fact is that there are wide variations among the states in the consumption of gasoline, alcohol, and tobacco. If the revenues are transferred and collected at the point of sale, rather than the federal revenues being collected at the point of production as at present, some states will benefit relative to others.

Likewise, there are wide disparities among the states in terms of spending on the programs under consideration for transfer to the states. Dave Stockman believes that somehow you can make the two mesh — by picking the right programs and the right taxes it will roughly even out. I am skeptical. It would be great if that were true. But the Advisory Commission on Intergovernmental Relations and the Gray Working Group have been attempting something like that for months — unsuccessfully. It obviously involves literally tens of thousands of computations and there is no definitive answer at this time, but the likelihood of finding a match has an extraordinarily low probability.

4. <u>A Possible Solution</u>.

Last night it occurred to me that there is a possible solution to this problem. It is relatively simple — which in my view is absolutely necessary if it is to have any chance of succeeding among the governors and in the Congress. It is:

o Have the federal government continue to collect the excise taxes it presently levies at the point of production. By the way, this is far more efficient than 50 states collecting at the point of sale — bootlegging cigarettes is a major problem in many states.

o Have the federal government also collect the additional revenues from a 200% increase in the alcohol, tobacco, and gasoline taxes. This would still not bring it up to 1951 levels.

o All of these revenues (existing and new) would go into a trust fund for distribution back to the states. The distribution formula would be based on current spending patterns state by state of the programs that are being transferred.

o In essence, you would take the status quo and accept it. There would be no winners or losers among the states relative to one another. All would share in the 25% reduction equally.

o However, the taxes that we are transferring back are static since they are flat rate. Just because the price of gasoline rises the flat rate levy does not increase. Thus, from henceforth into the future, the Reagan principle of letting the states determine how much they want to spend and how much they want to tax will apply.

o If states manage their programs well and save money they will not need to increase their excise taxes and may even be able to lower them. If they manage their programs less well they will need to find the revenues.

o The federal government would pledge not to invade the states tax territory on excises. All future excise tax increases or decreases would be determined by individual states.

THE WHITE HOUSE

WASHINGTON

BRIEFING MEMORANDUM FOR THE PRESIDENT

SUBJECT: FEDERALIST INITIATIVE

Wednesday, December 23, 1981
9:45 a.m. (1 hour)
The Cabinet Room

FROM: RICHARD G. DARMAN
CRAIG L. FULLER

## I. PURPOSE

This meeting is to present a conceptual outline of a possible federalist-tax-and-program-turn-back initiative -- for your preliminary reactions and guidance. The presentation is not a presentation of a detailed plan. And the meeting is not to be a decision meeting.

In light of your reactions, a work group will develop a detailed initiative -- for presentation to you upon your return from California, and for possible inclusion in the State of the Union Message.

## II. AGENDA/SEQUENCE

Don Regan will present the conceptual outline. Discussion will follow.

## III. PARTICIPANTS

The President
The Vice President
Secretary Baldrige
Secretary Regan
Edwin Meese III
David A. Stockman
James A. Baker III
Michael K. Deaver
Martin Anderson
Max L. Friedersdorf
David R. Gergen
Edwin Harper
Murray L. Weidenbaum
Richard S. Williamson

December 18, 1981

## Potential Revenue Raising Measures

| | Fiscal Years ($ Billions) | | | |
|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 |
| 1. Excise tax on Natural Gas combined with Deregulation | 15 | 15 | 15 | 15 * |
| 2. Airport and Airway User Taxes | .9 | 1.1 | 1.3 | 1.5 |
| 3. Coal Excise Tax (Enacted 12/81) | .3 | .3 | .3 | .3 |
| 4. Other Excise Taxes | | | | |
| a. Gasoline and Diesel (8¢/gal.) | 3.4 | 3.3 | 3.3 | 3.3 * |
| b. Telephone (4%) | 1.5 | 1.7 | 1.7 | 1.7 * |
| c. Cigarettes (16¢/pack) | 1.8 | 1.8 | 1.8 | 1.8 * |
| d. Liquor ($21/gal.) | 2.1 | 2.3 | 2.3 | 2.3 * |
| e. Beer ($18/barrel) and Wine (34¢/gal) | 1.3 | 1.3 | 1.3 | 1.3 * |
| 5. Repeal leasing rules of E.R.T.A. | 3.6 | 5.1 | 6.7 | 8.5 |
| 6. Repeal additional ACRS benefits for 1985-1986 | | | 1.6 | 10.3 |
| 7. Repeal modified coinsurance provisions | 1.5 | 3.0 | 3.0 | 3.0 * |
| 8. Revise minimum tax (corporations and individuals) | 10 | 10 | 10 | 10 * |
| 9. Repeal Tax Credit for corporations receiving income from doing business in U.S. possessions | 1.2 | 1.3 | 1.5 | 1.6 |
| 10. Repeal tax exemption for small issue industrial development bonds | .5 | .9 | 1.3 | 1.6 |

| | | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| 11. | Repeal deduction for non-business interest paid (other than autos) | 8.1 | 8.6 | 9.2 | 9.8 * |
| 12. | Raise 3% floor on medical expense itemized deduction to 10% of adjusted gross income | 2.5 | 2.8 | 3.2 | 3.7 |
| 13. | Impose $120 per family per month cap on excludable employer-paid medical insurance and medical care | 3.7 | 5.0 | 6.6 | 8.9 |
| 14. | Repeal $150 itemized deduction for one-half of medical insurance premiums | .4 | .5 | .6 | .7 |
| 15. | Impose tax on certain luxury items | .5 | .5 | .5 | .5 * |
| 16. | Impose $2/barrel oil import fee | 4.0 | 4.0 | 4.0 | 4.0 * |
| 17. | Limit completed contract method of accounting | .5 | 1.0 | 1.0 | .5 |
| | | 67.8 | 69.5 | 76.2 | 90.3 |

* out-years are estimated to be merely a continuation of earlier year estimates

Note

Most of these estimations are taken from current tax expenditure estimates. If the provisions were repealed, early year revenue gains could be substantially less than indicated.

EXTREMELY CONFIDENTIAL

# FEDERALISM CONCEPT PAPER

(DRAFT #2)

## I. Major Design Specifications

1) Grand Design -- combines medicaid/public assistance swap with Federal tax base program turn-back in one fiscally and philosophically integrated design.

2) Scope of Federalism Initiative -- $60 billion in swapped or turned-back tax and program functions when initally effective in FY 84.

3) Intergovernmental Fiscal Realignment Principle -- the design provides states 100% financing of turned-back or swapped Federal programs during five year transition. State and local governments suffer no net fiscal loss beyond FY 83-84 Administration funding request.

4) State/Local Financing Sources -- to fund $60 billion in turned-back or swapped Federal programs, states would have the following financial resources during the transion period:

| | | 84 | 85 | 86 | 87 |
|---|---|---|---|---|---|
| a) | State medicaid share savings........ | 18.5 | 20.0 | 22.1 | 25.8 |
| b) | Turned-back Federal excise tax receipts........................ | 38.7 | 39.5 | 40.9 | 41.0 |
| c) | Total state/local financing sources................... | 57.2 | 59.5 | 63.0 | 66.8 |
| d) | Total program turn-back swap........ | 61.6 | 61.0 | 62.0 | 62.0 |
| e) | Net state/local balance............. | -4.4 | -1.5 | +1.0 | +4.8 |

5) Transition Period -- Gradual transition over eight year period beginning in FY 84, with following benchmark dates:

a) Medicaid/public assistance swap -- Fully effective in FY 84 -- roughly a $20 billion dollar for dollar exchange of programs. Federal AFDC, food stamps and CSE would be terminated in FY 84. Medicaid would be fully Federalized.

b) Federalism Turn-back, Stage I, FY 84-87 -- Federalism transition trust fund financed at $39-41 billion per year over FY 84-87. Receipts allocated to states on basis of FY 79-82 Federal program dollar shares. Funds used to reimburse Federal agencies for categoricals or taken down as lump-sum fiscal transfer (super revenue sharing) if state opts-out of Federal programs early. All Federal turn-back programs expire at end of FY 87.

c) Conversion of turn-back taxes to point of sale, FY 85-87 -- Alcohol, tobacco, gasoline taxes now collected at manufacturing stage. Converted to retail taxes with state administration on reimbursable basis by FY 87. Necessary for ultimate, easy turn-back of in-place tax and collection machinery.

d) Federalism Turn-back, Stage II, FY 88-91 -- Amounts deposited in state trust fund accounts from turn-back taxes decline by 25% each year. If state imposes tax equal to 25% decrement, state tax is credited against Federal levy and latter is reduced 25%. If state does not impose substitute tax, Federal receipts revert to U.S. Treasury. This provides strong political incentives for states to assume taxing responsibility, as residents would pay tax anyway. Modeled after FUTA. During Stage II, all funds in state Federalism trust fund accounts are available as super revenue sharing to states for use at total discretion.

e) Expiration of Federal Excise Taxes -- Entire turn-back tax expires as Federal levy two years after end of Stage II -- even if states have not chosen to levy substitute tax in part or full. By FY 93 Federal excise tax burden is lower than in FY 83.

6) <u>Federalism Transition Trust Fund</u>

- o Functions as off-budget accounting and financial intermediary during transition period, FY 84-91.

- o Financed with dedicated tax sources throughout transition period -- increased alcohol, tobacco, gasoline and telephone taxes ultimately slated for complete turn-back to state tax base.

- o Organized into 50 separate state accounts with turn-back tax receipts allocated on basis of state pro-rata share of Federal turn-back program dollars in FY 79-82 base period.

- o State payments from trust fund to Federal agencies for program reimbursement in Stage I counted as off-setting receipts to Federal budget; remaining state balance after program reimbursement counted as state general revenue when drawn down.

7) <u>State Funding Election, Stage I, FY 84-87</u>

- o States may elect to opt-out of any Federal program in turn-back category any time during Stage I. The effect would be to reduce reimbursement payments owed to Federal agencies and increase lump-sum general fiscal transfer to state (super revenue sharing). No entity in state would be eligible for categorical program funding whenever opt-out election made with 12 month notice to Federal government and affected grantees.

8) <u>Super Revenue Sharing Pass-Through</u>

- o Super revenue sharing draw-downs partially pass-through to general units of local government (cities and counties).

- o 15-25 percent pass-through factor depending upon final mix of turn-back programs (pass-through percentage would roughly equal direct Federal-local share of turn-back mix).

- o Pass-through allocation to local units based on existing revenue sharing formula.

9) Effective Hold-Harmless Protection

- No state winners or losers relative to program distribution status quo ante during Stage I. All turn-back receipts allocated to state trust fund accounts on basis of "allocation factor" representing weighted state share of Federal program dollars in FY 79-82 base period.

- Hold-harmless allocation factor protection declines by 25% per year beginning in FY 88. System gradually shifts to tax origination basis as states impose substitute levies in Stage II. However, this distribution shift would occur with 60 month lead time from date of initial proposal.

10) State and Local Discretion and Flexibility

- Opt-out election in Stage I permits states to, in effect, unilaterally chose to fashion their own block grants and initiate "do it yourself" repeal of Federal regulations and standards.

- If states stay in Federal categorical and block grant programs during Stage I, they must live with Federal rules; if they opt-out, resulting increase in super revenue sharing funds would permit these same activities to be financed with totally flexible state money.

- Opt-out mechanism shifts battle over categorical vs flexible state funding from Capitol Hill to 50 state capitals.

11) Special Fund For Federalism Innovation -- Would be created as part of transition trust fund and be financed with a 1 percent or less earmark of receipts. This fund would be exclusively controlled by a council of state and local officials and would fund innovative projects at their discretion.

12) Federal Budget Savings -- the Federal budget would be reduced by the entire amount of the turn-back and swap-out programs, plus anticipated savings from an integrated national reform of medicaid and the health care system generally. After off-setting the loss of the existing excise tax revenue base, the net deficit improvement is still substantial:*

| | 84 | 85 | 86 | 87 |
|---|---|---|---|---|
| a) Turn-back-swap program savings.......... | 61.6 | 61.0 | 62.0 | 62.0 |
| b) Federal medicaid reform savings......... | 6.0 | 7.0 | 8.0 | 10.0 |
| c) Total gross budget savings.............. | 67.6 | 68.0 | 70.0 | 72.0 |
| d) Budget off-sets: | | | | |
| o Loss of existing tax base.......... | 11.7 | 11.1 | 11.0 | 11.0 |
| o State share of medicaid............ | 18.5 | 20.0 | 22.1 | 25.8 |
| o Net off-set........................ | 30.2 | 31.1 | 33.1 | 36.8 |
| e) Net deficit reduction.................. | 37.4 | 36.9 | 36.9 | 35.2 |

13) Excise Tax Funding Mechanism

o The following Federal excise taxes could be increased 200% in January 1983 and dedicated to the transition trust fund:

A) Federal Beer, Wine Distilled Spirits

| o Revenue Impact | 84 | 85 | 86 |
|---|---|---|---|
| Current law receipts......................... | 6.0 | 6.1 | 6.1 |
| 200% increase................................ | 10.0 | 10.0 | 10.3 |
| Total receipts............................... | 16.0 | 16.1 | 16.4 |

| o Retail Price Impact | Now | After | % Increase |
|---|---|---|---|
| Beer (per 6 pack)............................ | 2.40 | 2.72 | 13% |
| Wine (per liter)............................. | 3.00 | 3.08 | 3% |
| Distilled spirits (fifth of gin)............. | 5.00 | 8.36 | 67% |

B) Federal Tobacco Tax

| o Revenue Impact | 84 | 85 | 86 |
| --- | --- | --- | --- |
| Current law receipts.......................... | 2.7 | 2.7 | 2.8 |
| 200% increase................................. | 4.5 | 4.5 | 4.6 |
| Total receipts................................ | 7.2 | 7.2 | 7.4 |

| o Retail Impact | Now | After | %Increase |
| --- | --- | --- | --- |
| Pack of cigarettes ........................... | 67c | 83c | 24% |

C) Federal Gasoline Tax

| o Revenue Impact | 84 | 85 | 86 |
| --- | --- | --- | --- |
| Current law receipts*......................... | 2.1 | 2.0 | 2.0 |
| 200% increase (8c/gallon) .................... | 8.2 | 7.9 | 7.8 |
| Total receipts ............................... | 10.3 | 9.9 | 9.8 |

| o Retail Impact | Now | After | %Increase |
| --- | --- | --- | --- |
| Gallon retail................................. | 1.40 | 1.48 | 6% |

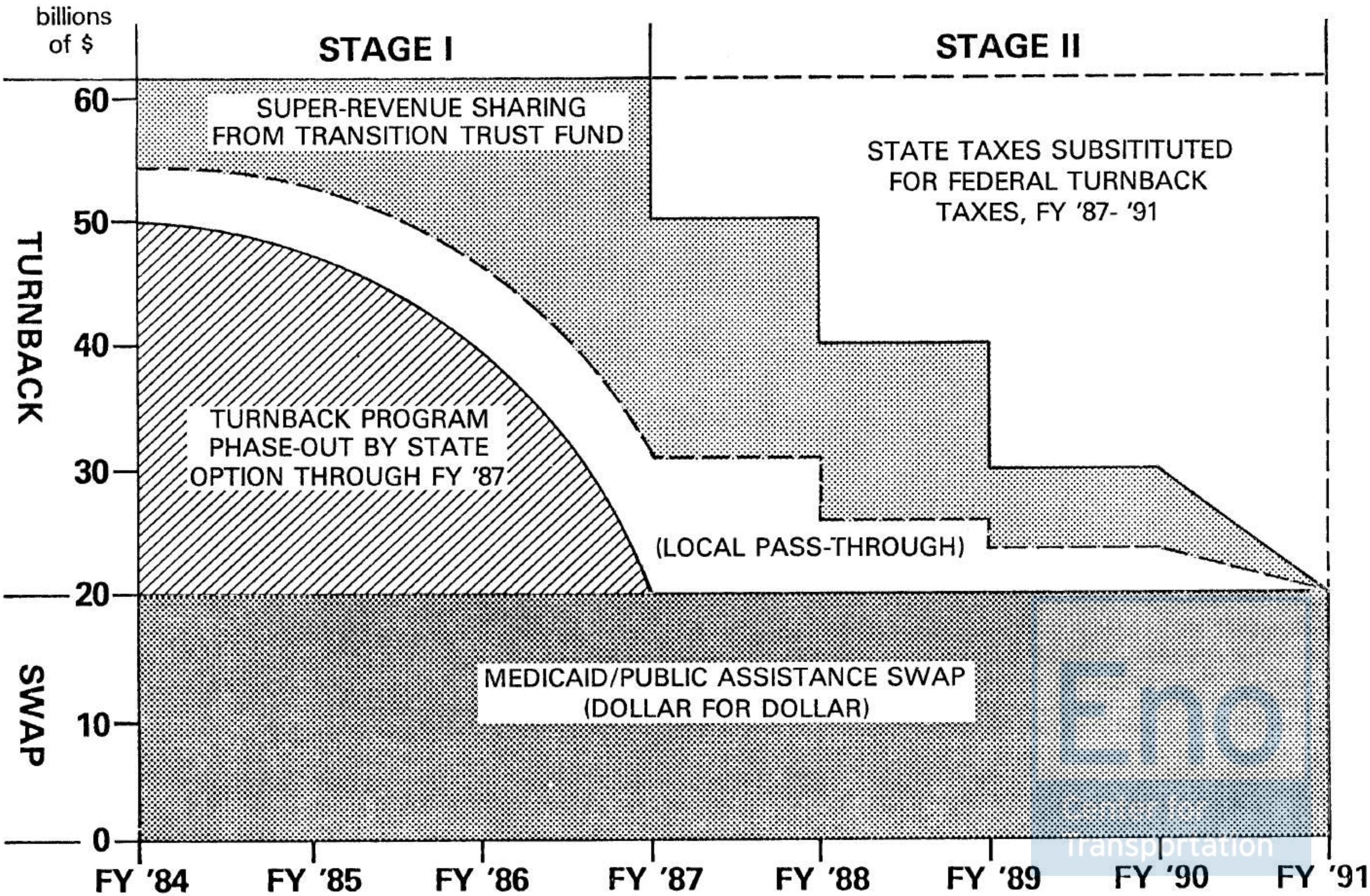
D) Telephone

| | 84 | 85 | 86 |
|---|---|---|---|
| Current law receipts........................ | 0.7 | 0.3 | 0.0 |
| 6% tax (200% of 1980)........................ | 14.1 | 5.9 | 7.2 |
| Total receipts.............................. | 4.8 | 6.2 | 7.2 |

E) Total Excise Tax Funding

| | 84 | 85 | 86 |
|---|---|---|---|
| Current law receipts........................ | 11.5 | 11.1 | 10.9 |
| 200% increase............................... | 26.8 | 28.3 | 29.9 |
| Total receipts.............................. | 38.3 | 39.4 | 40.8 |

# SCHEMATIC REPRESENTATION OF FEDERALISM INITIATIVE



RGD - 1/6/82

LEGISLATIVE STRATEGY GROUP
AGENDA

This meeting is to review selected remaining economic program issues -- principally from a legislative and political perspective -- prior to their presentation to the President.

(A) FEDERALISM INITIATIVE

(1) What revisions on tax side -- re alcohol, luxuries...?

(2) What remaining issues re programs to be turned back? Are any so sensitive that they ought to be left alone? What other sensitive ones merit special handling (need assign responsibility after Pres. decides).

(3) Is there a legislative strategy with reasonable chance of success here? What key elements? (Note: initiative may have sufficient value even if low chance of success.)

(4) Note: Need action plan to assure support from general purpose gov't., other potential supporters (Williamson/ Rollins/Dole)

(5) Any other remaining issues -- is group unanimous in its support for the initiative?

(B) ISSUES RELATED TO CREDIBILITY

Should any/all of the following be included in the package -- or does one or more of them threaten credibility too much:

(1) Off-shore receipts
(2) Nominal GNP path
(3) IRS collection enhancement
(4) Enhanced debt collection
(5) Real property disposition
(6) Medicare/Medicaid plugs
(7) Other?

(C) OTHER POLICY/POLITICAL ISSUES

Which of the following make sufficient sense in political and policy terms to merit inclusion:

(1) Tax expenditure package (see list)
(2) Import security insurance fee (what level?)
(3) Post-'84 Federal employment reduction of 75,000
(4) Federal pay cap at 5% after FY '83
(5) Additional defense savings (what amount/when?)
(6) Other?

(D) <u>ISSUES THAT REQUIRE ATTENTION WHEN VIEWING THE PACKAGE AS A WHOLE</u>

(1) Is the overall tax portion of the program acceptable and saleable -- without risking investment stimulus interests?

(2) Is there enough in the program to counter allegations that the administration cares only about the big guy, the rich, etc.?

(3) Can sufficient Senate support be mustered to avoid confrontation/stalemate <u>re</u> first budget resolution? What accommodations might have to be made to gain Senate agreement?

(4) Do we plan to get a variant of all this through the House -- how? -- or do we plan to lose and run against the House? What's the House alternative likely to look like -- with what implications?

Put in: ~~1x~~ 50% on beer — show cost per 6 pk & % increase

~~2~~ 350% on wine (5% of $5 retail) — per bottle

200% on tobacco — per pack.

100% on distilled — per bottle

200% on telephone

20¢ on gas. — " gal.

total figs for '83 – '87

---

Revise idea of min. minimum corp. & personal tax

What tax income on each — part. business

Above a certain size to eliminate small biz

---

Energy tax credit wipe out should be only for business side.

RGD - 1/7/82

# LEGISLATIVE STRATEGY
## AGENDA

(A) Further discussion of remaining issues scheduled for presentation to President tomorrow

(1) Deficit line with cuts, reestimates, federalism initiative -- is it tolerable/how much must it be reduced?

(2) Additional savings options:

(a) out-year GNP growth reestimate
(b) post-'84 employment cut
(c) post-'83 federal pay cap
(d) out-year defense savings
(e) tax expenditures
(f) import security insurance fee
(g) minimum corporate income tax — No Reserve
(h) issues of budget presentation:
-- Social Security plug;
-- gas decontrol revenue calculation — get this
(i) other?

(B) Issues related to development of political strategy

(1) What re Cong. consultations?

(2) What, in general, to prevent Congressional stalemate on budget resolution? (What, in particular, re Defense?)

82-354

THE WHITE HOUSE

WASHINGTON

January 8, 1982

MEMORANDUM FOR JAMES A. BAKER, III
SECRETARY REGAN ✓
DAVID A. STOCKMAN

FROM: RICHARD S. WILLIAMSON Rich

SUBJECT: NEW FEDERALISM

---

It is imperative that we have prepared at the earliest possible date a state-by-state breakdown of the impact of our New Federalism initiative, both on the revenue side and the program side.

As you know, we have had informal discussions with Governor Lamar Alexander (R-Tennessee) during the last several months on his proposal for a swap of Medicaid for AFDC and food stamps. Lamar says that if the federal government assumes full responsibility for Medicaid, Tennessee will save $160 million. If Tennessee assumes full responsibility for AFDC and food stamps, Tennessee will be expected to incur over $400 million in expenditures, assuming a continuation of present program levels.

Lamar is not enthusiastic about those numbers. He says that other poorer states in the South, such as Georgia, will have similar problems. Alexander is crucial because of his relationship with Howard Baker. Georgia is also key because of Governor George Busbee and his relationships with the Democratic leadership in the House and the Senate and his fellow Governors.

It seems to me we need to do two things:

1. Get the state-by-state numbers prepared as soon as possible.

2. Work out some kind of system to minimize the effects on any state that might be a "net loser" under this program.

cc: Richard G. Darman
Craig Fuller
Kenneth Duberstein

THE WHITE HOUSE

WASHINGTON

January 11, 1982

MEMORANDUM FOR ELIZABETH H. DOLE

VIA: JACK BURGESS/RED CAVANEY

FROM: BOB BONITATI B

SUBJECT: User Fees

I talked with Ken Cribb about the subject of user fees. Ken tells me that the subject has been raised by Secretary Lewis and discussed at a Cabinet Council meeting, but that the subject is to be considered as part of the "revenue enhancing" package being considered by the Administration.

THE WHITE HOUSE

WASHINGTON

January 11, 1982

VISIT TO THE DEPARTMENT OF TRANSPORTATION
TIME: 10:25 a.m. departure
DATE: January 12, 1982
LOCATION: The Department of Transportation

FROM: CRAIG L. FULLER CF

I. PURPOSE

It was thought that as part of the preparation for the State of the Union, visits to one or two departments would provide you with a good opportunity to meet directly with federal employees and be briefed on matters that are of importance to senior administration officials. The first department selected was the Department of Transportation.

II. BACKGROUND

There will be two principal activities associated with the visit:

1. Senior Executive Service Forum

   You will make a few remarks to about 150 members of the Senior Executive Service (SES) who work at the Department of Transportation. Draft remarks are attached.

2. Weekly Operating Meeting

   Drew Lewis has a weekly operating meeting with the senior appointees in the department. They plan to brief you on several departmental activities. The last item to be covered in the meeting concerns a Transportation recommendation to form a Advisory Commission on Drunk Driving. This is in direct response to your recent suggestion to them on the subject.

III. PARTICIPANTS

To be included in the detailed schedule.

IV. PRESS PLAN

A press pool will accompany you on the visit. The principal photo opportunity will occur when you make your remarks to the Senior Executive Service employees.

V. SEQUENCE

Available in the trip schedule.

THE WHITE HOUSE

WASHINGTON

SCHEDULE OF THE PRESIDENT

TUESDAY, JANUARY 12, 1982

EVENTS: Department of Transportation Senior Executive Service Forum
Department of Transportation Senior Staff Weekly Operating Meeting

DRESS: Men's Business Suit

WEATHER: Low Teen's, Partly Cloudy

10:25 a.m. Depart White House en route Department of Transportation. Drive Time: 5 mins.

10:30 a.m. Arrive Department of Transportation.
- Closed Press Coverage

Met by: Secretary Drew Lewis

Proceed to Auditorium for Senior Executive Service Forum.

Proceed to dais and take seat.
Attendees: 180. -Travel Pool Coverage

Secretary Lewis makes remarks.

Introduction by Secretary Lewis.

10:42 a.m. Remarks.

10:55 a.m. Conclude remarks.

Proceed to Room 10214 for Department of Transportation Senior Staff Weekly Operating Meeting.
- Official Photographer

(Refer to attached seating diagram.)

Secretary Lewis makes remarks.

FAA Administrator Lynn Helms makes remarks.

FHWA Administrator Ray Barnhart makes remarks.

UMTA Administrator Art Teele makes remarks.

Secretary Lewis makes remarks on Drunk Driving Commission.

NHTSA Administrator Ray Peck makes remarks.

Brief Remarks.

11:35 a.m. Depart Room 10214 en route motorcade.

11:45 a.m. Depart Department of Transportation en route White House. Drive Time: 5 mins.

11:50 a.m. Arrive White House.

(DOT/Bakshian)
January 11, 1982 - 6:30 p.m.

PRESIDENTIAL REMARKS: VISIT TO DEPARTMENT OF TRANSPORTATION
JANUARY 12, 1982

You and I share a deep commitment to the American people. You are committed to a better government or you wouldn't be a member of the Senior Executive Service. As this Nation's top managers, you have dedicated your careers to forging a better Federal Government. That is what I am trying to do.

Any government is only as good as the people who make it work one day at a time. Ours is a great government because of motivated, dedicated public servants like you.

No one appreciates more than I the importance of the career executive managers who actually execute the policies of this government on a day-to-day basis, enforce the laws of our land and keep the multitude of programs running within whatever budget they are allocated.

And I also appreciate that career Federal Executives should be compensated for the work they do. That is why we actively supported the increase in Executive salaries and the removal of the pay cap. That is also why we have maintained the integrity of the Executive bonus system, so that there is a meaningful way of rewarding those who make exemplary contributions in the management of our programs.

The Department of Transportation SES program has stimulated thought and creativity that led to major program advances this year.

Through the DOT Executive Forum, which meets monthly, problems are thrashed out and new management concepts are born. I understand that Drew Lewis has exchanged ideas with you at one Forum session, and that you are scheduling talks by other top policy makers this year. The Executive Mobility Program which interchanges managers among all the various elements of this Department, gives you the diversity of experience and knowledge you need to manage an enterprise as broad in scope as this one.

These two vehicles are unique among SES programs. They are outgrowths of your own recommendations and a tribute to your initiative. With the transfer of the Maritime Administration to the Department of Transportation, you now have responsibility for managing all phases of the transportation sector. This requires broad-based skills and knowledge, but also gives you even more opportunity to exert the creativity you are developing in the SES program.

I also commend you for the way you have picked up on the national objectives of the Reagan Administration and found creative ways to execute them. I'm proud to count you on my team.

Not only did SES members help seek out ways to reduce the Department of Transportation budget; you also came to us with fresh approaches. You looked for waste that could be cut. You searched for less expensive and more efficient ways to execute the programs -- and you found them.

This kind of management ingenuity is critical to the success of this Administration and I commend you.

Some of you in the FAA along with the flight service specialists and technicians are in the forefront in designing a new system for the Nation's air traffic control. In so doing, you are helping this Administration keep its commitment to upgrade the system and employ the latest technology in keeping the airways safe.

Others among you have exerted your leadership in the auto industry studies which have paved the way for our ongoing regulatory reform program -- reform which will help a vital national industry to function and compete again in the free market system.

Your leadership is also evident in developing the transportation user fee concept that will more equitably distribute the cost of transportation among those who actually use the service.

But the qualities you have demonstrated in your work at Transportation are not unique to any one agency or department. They are the universal attributes -- the universal requirements -- for outstanding service in any public endeavor. You can't have good programs without good people to deliver them, and I am second to none in my appreciation of the importance of a dedicated, innovative Federal work force.

The theme of my Administration is a new beginning, a national renewal that will make America great again. I want to see this same spirit of renewal and excellence take hold in the government itself. Thanks to you, and thousands of other dedicated public servants, we have, indeed, made an important beginning. We have cut waste, eliminated red tape and provided better services to the American taxpayers we are all here to serve.

This is an exciting time in our Nation's history, a time of both change and reaffirmation. And each of you and your colleagues throughout the Federal Government are on the front line, day in and day out, translating policy goals into accomplished realities. The times call out for excellence. Groups like yours are providing it.

I didn't have to come to Washington to find this out. I learned this vital lesson first-hand during my 8 years as Governor of California. During those 8 years we were able to create a more efficient, responsive and economic state government and still deliver -- and in many cases improve -- the full range of necessary services to the people of California.

Well, as usually happens, it was the politicians who took most of the credit for the reforms, the savings and the improvements.

But, let me tell you, we couldn't have made any of that progress in California if we hadn't been able to recruit, retain and motivate a dedicated cadre of state government employees -- skilled professionals at every rung of the ladder.

Many of them were a little nervous at first when I took office in Sacramento. I guess I understand why. They weren't quite sure what to expect, and the opposition had done its best to paint me as some sort of cross between a bogeyman and the Grinch that Stole Christmas. But as our reforms took shape, more and more dedicated state employees told me how much they appreciated what we were doing -- the greater efficiency and better management we were able to bring to a state government with a budget and population larger than most of the world's sovereign nations.

We're beginning to see the same thing happen in Washington. I believe that the vast majority of the Federal workers are every bit as committed to rooting out waste and fraud and inefficiency as the taxpayers they serve. I believe they want to do the best possible job they can. My Administration is dedicated to helping them -- helping you -- achieve this goal. Old abuses and errors must be redressed. The mistakes of the past have already cost us far too much in economic stagnation and crippling taxes and inflation. But, together, we can turn things around and make today's Federal Government a model for the generations that will come after us.

Together, we can make it happen. I'm counting on you, and so are the American people.

January 13, 1982

# FLOW OF FUNDS IMPACT OF FEDERALISM PLAN
(1984 Dollars Per Capita)

| State | Means of Financing: Medicaid Savings | Means of Financing: Trust Fund | Means of Financing: Total | Costs Absorbed: Public Assistance | Costs Absorbed: PA & Trust Total | Net Gain/ Loss* |
|---|---|---|---|---|---|---|
| **Eight Smallest Gainers** | | | | | | |
| Nevada | $56 | $131 | $187 | $38 | $169 | $19 |
| Nebraska | 58 | 153 | 211 | 43 | 196 | 16 |
| Washington | 78 | 138 | 216 | 64 | 202 | 15 |
| Michigan | 111 | 148 | 259 | 97 | 245 | 14 |
| Maryland | 89 | 179 | 268 | 76 | 255 | 13 |
| Pennsylvania | 88 | 161 | 249 | 85 | 246 | 3 |
| Colorado | 52 | 133 | 185 | 50 | 183 | 2 |
| New Hampshire | 56 | 150 | 206 | 55 | 205 | 1 |
| **Eight Smallest Losers** | | | | | | |
| South Dakota | $51 | $206 | $257 | $66 | $272 | $14 |
| Ohio | 72 | 141 | 213 | 85 | 226 | 14 |
| Montana | 53 | 195 | 248 | 64 | 259 | 11 |
| Texas | 56 | 124 | 180 | 61 | 185 | 5 |
| Utah | 36 | 129 | 165 | 41 | 170 | 5 |
| Indiana | 54 | 123 | 177 | 57 | 180 | 3 |
| Wyoming | 28 | 180 | 208 | 30 | 210 | 2 |
| Virginia | 58 | 125 | 183 | 58 | 183 | — |
| **Eight Largest Gainers** | | | | | | |
| Wisconsin | $261 | $135 | $396 | $71 | $206 | $190 |
| New York | 227 | 192 | 419 | 118 | 310 | 109 |
| Minnesota | 115 | 157 | 272 | 53 | 210 | 62 |
| Massachusetts | 151 | 202 | 353 | 94 | 296 | 57 |
| District of Columbia | 217 | 824 | 1,041 | 179 | 1,003 | 38 |
| Rhode Island | 134 | 173 | 307 | 100 | 273 | 33 |
| Connecticut | 92 | 155 | 247 | 63 | 218 | 28 |
| Oklahoma | 85 | 132 | 217 | 59 | 191 | 26 |
| **Eight Largest Losers** | | | | | | |
| Mississippi | $38 | $191 | $229 | $131 | $322 | $93 |
| New Mexico | 36 | 165 | 201 | 114 | 279 | 78 |
| Alabama | 36 | 160 | 196 | 108 | 268 | 73 |
| New Jersey | 14 | 147 | 161 | 85 | 232 | 71 |
| Kentucky | 52 | 163 | 215 | 118 | 281 | 66 |
| South Carolina | 43 | 147 | 190 | 102 | 249 | 59 |
| Arizona | — | 124 | 124 | 58 | 182 | 58 |
| Alaska | 79 | 422 | 501 | 136 | 558 | 57 |



... due to rounding

RGD - 1/15/82

# LEGISLATIVE STRATEGY
## AGENDA

2:00 - 5:00 1/15/82

| | |
|---|---|
| 2:00-2:10 | Review of Agenda -- What We Need to Accomplish Today |
| 2:10-2:50 | Revision of Draft Federalism Package |
| 2:10 | -- tax adjustments (politics/regressivity/etc.) |
| 2:25 | -- program adjustments (politics/tax offset) |
| 2:40 | -- winners and losers problem/adjustment |
| 2:50-3:00 | Approach to oil import fee -- legislative or executive action |
| 3:00-3:10 | Legislative lead for Enterprise Zones |
| 3:10-3:45 | Gaming/Strategy re overall program |

- -- Centrality of Budget Resolution: Agreed (?)
- -- Estimate gap problem/what do
- -- Defense problem/what do
- -- Tax: how keep under control
- -- Generally: orient toward '81-House-based approach or Senate-plus-Conference approach
- -- Generally: how offset Gypsy Moth defections/ How deal with Jones/Rostenkowski/What problems re Boll Weevils
- -- How take advantage of lame duck session/what associated risks/what implications
- -- Who (in Congress) should lead re each major component -- what implications

3:45-4:15 Next Steps

- -- Presidential decisions
- -- Congressional consultations (who/how/when line up support)
- -- IGA consultations (who/how/when line up support)
- -- Other consultations
- -- Assignments for preparation of materials (who/what/when)
- -- Other such

4:15-5:00 Discussion of Federalism with selected Cabinet officers

1/15/82

## SHOULD THE FEDERALISM PROGRAM BE ADJUSTED

I. Reduce Excise Increases

- Double rather than triple tobacco.
- No increase on beer.
- Extend 2% telephone excise -- not increase to 6%.
- ~~Double not triple gasoline tax.~~
- Keep other items the same:
    - Double distilled spirits.
    - 15¢ increase/bottle on wine.
    - 10% luxury tax.
- Impact on Federalism Trust Fund

| | 84 | 85 | 86 | 87 |
|---|---|---|---|---|
| Proposed trust fund.................... | 36.1 | 36.5 | 37.6 | 38.9 |
| Revised trust fund.................... | 26.1 | 26.0 | 26.4 | 26.9 |
| Change................................ | -10.0 | -10.5 | -11.2 | -12.0 |

II. Narrow Down Program Turn-back List to Fit Smaller Trust Fund

Proposed Deletions

| Program | FY 84 Budget Level | Reason |
|---|---|---|
| 1) Rural Housing | 1170 | Loan program -- doesn't fit |
| 2) USDA Soil & Water Conservation | 223 | Strong interest group; not grant-in-aid |
| 3) Cooperative Research | 233 | Embedded interest group network |
| 4) Cooperative Extension | 309 | Embedded interest group network |
| 5) St. Elizabeth's | 67 | Doesn't fit |
| 6) Campus-based Aid | 400 | Keeps higher education interest groups out |
| 7) Public Housing | 952 | Poisons well for State/locals |
| 8) Corps of Engineers | 606 | Doesn't fit -- intense interest groups, Committee |
| 9) State & Private Forestry | 30 | Too small relative to politics |
| 10) Handicapped Education | 846 | Targeted mission, politics |
| 11) Compensory Education | 1500 | Targeted mission, politics |
| 12) Bilingual Education | 74 | Targeted mission, Hispanics |
| 13) Head Start | 912 | Politics |
| 14) Older Americans | 652 | Politics, Pepper Committee |
| 15) Mine Reclamation | 100 | Doesn't fit |
| | 8,704 | |

III. State/Local Budget Impact--Revised

| | 84 | 85 | 86 | 87 |
|---|---|---|---|---|
| **Means of State/Local Financing:** | | | | |
| 1) Medicaid savings...................... | 20.8 | 22.7 | 25.3 | 29.5 |
| 2) Trust fund.......................... | 26.1 | 26.6 | 27.0 | 27.6 |
| 3) Sub-total, financing................ | 46.9 | 49.3 | 52.3 | 57.1 |
| **Cost of Program Turn-back:** | | | | |
| 4) AFDC/food stamps...................... | 16.5 | 16.5 | 16.9 | 17.1 |
| 5) Revised program turn-back............ | 30.0 | 30.0 | 30.0 | 30.0 |
| 6) Sub-total, cost...................... | 46.5 | 46.5 | 46.9 | 47.1 |
| Net Gain or Loss (+ or -).................. | + 0.4 | + 2.8 | + 5.4 | + 10.0 |

## IV. Federal Budget Impact

| | 83 | 84 | 85 | 86 | 87 |
|---|---|---|---|---|---|
| **Net Budget Savings:** | | | | | |
| 1) Current version........................ | 11.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| 2) Revised version........................ | 6.0 | 18.5 | 18.8 | 19.1 | 19.2 |
| 3) Difference............................. | 5.0 | 6.5 | 6.2 | 5.9 | 5.8 |
| **Impact on Deficit:** | | | | | |
| 4) With current version................... | 82 | 58 | 50 | 43 | 29 |
| 5) With revised version................... | 87 | 65 | 56 | 49 | 35 |

THE TRADE-OFF BETWEEN EXCISE
TAX INCREASES AND PROJECTED DEFICITS

The revised economic program now shows the following deficit path:

| 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| (96) | (77) | (56) | (47) | (40) | (26) |

In order to achieve this deficit path it has been necessary to propose increasing or extending federal excise taxes on the following:

Tobacco (cigarettes, cigars, etc.)
Telephone calls
Gasoline
Hard liquor
Wine
Cameras and photographic accessories (over $100)
Restaurant meals (over $25)
✓Furs
Leather Goods (over $100)
✓Jewelry
Television sets, Stereos, Videocorders,
Computers, etc. (over $300)
Automobiles (over $12,000)
Dues, memberships and admissions (over $100)
Boats
Aircraft
Other pleasure vehicles

All together these tax increases are estimated to yield the following revenue:

| 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|
| none | +12 | +20 | +20 | +21 | +22 |
| | | 17 | 17 | 17 | 18 |

It should be noted that these tax increases do not reduce the deficit enough to project a balanced budget even in 1987, over five years from now. We will have to live with projections of large budget deficits in spite of the substantial proliferation of new federal excise taxes. The political cost of these tax increases will be very high.

In fact, there is a high probability that we could end up with the worst of both worlds: High continuing deficits and tax rate increases for 1983 and beyond.

EXTREMELY CONFIDENTIAL

# MAJOR FEDERALISM INITIATIVE
## CONCEPT DRAFT #4

JANUARY 18, 1982

## I. Basic Features

- <u>\$50 Billion</u> turnback of Federal programs and tax bases over <u>8-year</u> phased transition.

- Federal take-over of <u>medicaid</u> in <u>swap</u> for State takeover of <u>food stamps</u> and <u>AFDC</u>.

- <u>Dollar-For-Dollar Budget Exchange</u> with State and local sector: State medicaid savings and turnback excise tax revenues equal cost of Federal programs taken over by State/local governments. States gain in out-years.

- <u>State Flexibility Option</u> -- States may opt out of Federal grant programs anytime during first four years of transition and receive turnback excise taxes as lump-sum "<u>super-revenue sharing</u>" payment.

## II. Medicaid/Public Assistance Swap

- $20 billion exchange of program responsibilities:
    - Federal government assumes medical assistance function
    - State governments assume income assistance function

- Medicaid fully Federalized in FY 84
- States assume full responsibility for AFDC, food stamps and child support enforcement in FY 84. These programs already fully State administered.
- State Medicaid Savings Grow from $21 billion in FY 84 to $30 billion in FY 87, thereby freeing-up increasing portion of their own tax bases.
- Consolidated Federal responsibility for Medicare and Medicaid permits coordinated initiatives to control sky-rocketing costs of medical programs.

## III. TURNBACK TRANSITION SCHEDULE

- 40 FEDERAL EDUCATION, TRANSPORTATION, COMMUNITY DEVELOPMENT AND SOCIAL SERVICE PROGRAMS PHASED-OUT OVER 4-YEARS, FY 84-87.

- $27 BILLION PER YEAR IN EXCISE TAX RECEIPTS PLACED IN FEDERALISM TRANSITION TRUST FUND DURING STAGE I, FY 84-87.

- TRUST FUND RECEIPTS ALLOCATED TO STATES ON BASIS OF STATE SHARE OF FEDERAL TURNBACK PROGRAMS IN BASE PERIOD, FY 79-82. THIS PREVENTS WINNERS AND LOSERS AMONG STATES DURING STAGE I.

- DURING STAGE II (FY 88-91) FEDERAL EXCISE RATES REDUCED 25 PERCENT EACH YEAR WITH INCENTIVE FOR STATE EXCISE TAX SUBSTITUTION.

- 10 YEARS FROM NOW ALL FEDERAL EXCISE TAXES EXPIRE AND STATES FULLY RESPONSIBLE FOR 50 TURNBACK PROGRAMS AND THE TAX BASES TO FINANCE THEM.

## IV. <u>State/Local Discretion and Flexibility</u>

- o During Stage I (FY 84-87) Federalism trust fund monies may be used by States for either:

  - o Financing Federal grant programs that are being phased-out; or

  - o As a lump-sum super-revenue sharing payment if they elect to opt out of some or all Federal grant programs early.

- o Opt-out mechanism permits States to, in effect, unilaterally fashion their own block grants and initiate "do it yourself" repeal of Federal rules and regulations;

- o If States stay in Federal grant programs through FY 87, they must live with Federal rules; if they opt-out, the resulting increase in super-revenue sharing payments would permit same activities to be financed with totally flexible State funds;

- o Opt-out mechanism shifts battle over categorical vs. flexible funding from Congress to 50 State Capitols.

## V. Super Revenue Sharing Pass-Through

- Super-revenue sharing partially passed-through to general units of local governments (cities and counties);

- 15-25 percent pass-through factor depending upon final mix of turnback programs;

- Pass-through allocation to local units based on existing revenue sharing formula;

- Pass-through should substantially increase program attractiveness to local government officials.

# VI. <u>Federalism Trust Fund</u>

- o Functions as off-budget accounting and financial intermediary during transition period, FY 84-91;

- o Financed with dedicated excise tax sources during transition period -- increased alcohol, tobacco, gasoline, telephone and luxury taxes ultimately slated for complete turnback to States' tax base;

- o Organized into 50 separate State accounts with turnback tax receipts allocated on basis of State pro-rata share of Federal program dollars in FY 79-82 base period;

- o State account funds used either to reimburse Federal agencies for continued participation in grant programs (Stage I) or super revenue-sharing (Stages I and II).

## VII. STATE/LOCAL FISCAL IMPACT

- DURING STAGE I (FY 84-87) THE PROGRAM IS DESIGNED TO PRODUCE AT LEAST AN EVEN BALANCE BETWEEN STATE MEDICAID SAVINGS PLUS TRUST FUND REVENUES, AND THE COSTS OF FEDERAL PROGRAMS ABSORBED; CURRENT CALCULATIONS SHOW STATES GAIN IN FY 85-87.

- DURING STAGE II, STATES WOULD HAVE THE OPTION TO MAINTAIN PROGRAM AND TAX LEVELS OR REDUCE THEM AT THEIR OWN DISCRETION.

## Stage I Fiscal Impact
(billions)

| | FY 84 | FY 85 | FY 86 | FY 87 |
|---|---|---|---|---|
| 1) State Medicaid savings......... | 20.8 | 22.7 | 25.3 | 29.5 |
| 2) Trust fund excise tax receipts. | 26.1 | 26.6 | 27.0 | 27.6 |
| 3) Total new funds available to State and local governments... | 46.9 | 49.3 | 52.3 | 57.1 |
| 4) Federal programs turned back or swapped.................... | 46.5 | 46.5 | 46.9 | 47.1 |
| 5) Net fiscal balance, State and local government............. | +0.4 | +2.8 | +5.4 | +10.0 |

## VIII. Excise Tax Mechanism

- o The Federalism transition trust fund would be financed with:
  - o Existing telephone, alcohol, and tobacco taxes, and 2 cents of the existing gasoline tax;
  - o Increased rates on some of these taxes plus a revived 10 percent excise tax on luxuries.
- o The excise tax rate increases would have the following retail price impacts:

| Excise tax | Current Retail Price | Price With Tax Rate Increase | Percent Change |
|---|---|---|---|
| 1) Cigarettes (pack).................. | $ .67 | $ .75 | 12% |
| 2) Wine (bottle)...................... | 3.00 | 3.19 | 6% |
| 3) Distilled liquor (bottle of gin).. | 5.00 | 6.68 | 34% |
| 4) Mink coat (luxury tax)............ | 5,000 | $5,500 | 10% |

o THE NET FEDERAL TAX INCREASE WOULD BE AS FOLLOWS:

| | 83 | 84 | 85 | 86 | 87 |
|---|---|---|---|---|---|
| GROSS REVENUES FROM NEW OR INCREASED EXCISE TAXES........ | 8.4 | 14.5 | 15.5 | 16.1 | 16.8 |
| INCOME TAX OFF-SET............. | -2.2 | -4.0 | -4.2 | -4.3 | -4.6 |
| NET EXCISE TAX INCREASE........ | 6.2 | 10.6 | 11.2 | 11.8 | 12.2 |

## IX. Turn-Back Programs

- The final list of turn-back programs is still being developed and assessed for appropriateness and political feasibility. At the present time, roughly forty programs are being considered in the following areas:

| Function/Program | Current FY 84 Budget Level |
|---|---|
| I. Education and Training | $3,305 |
| o Manpower training block grant | (1,850) |
| o Four education programs for vocational rehabilitation, State block grants, libraries and vocational education | (1,455) |
| II. Community Development and Local Public Capital Investment | 13,053 |
| o Local highways, airports and mass transit | (6,425) |
| o Waste treatment plants and EPA technical aid | (2,182) |
| o CDBG/UDAG and other | (4,446) |

III. INCOME ASSISTANCE - WELFARE........................ 21,397

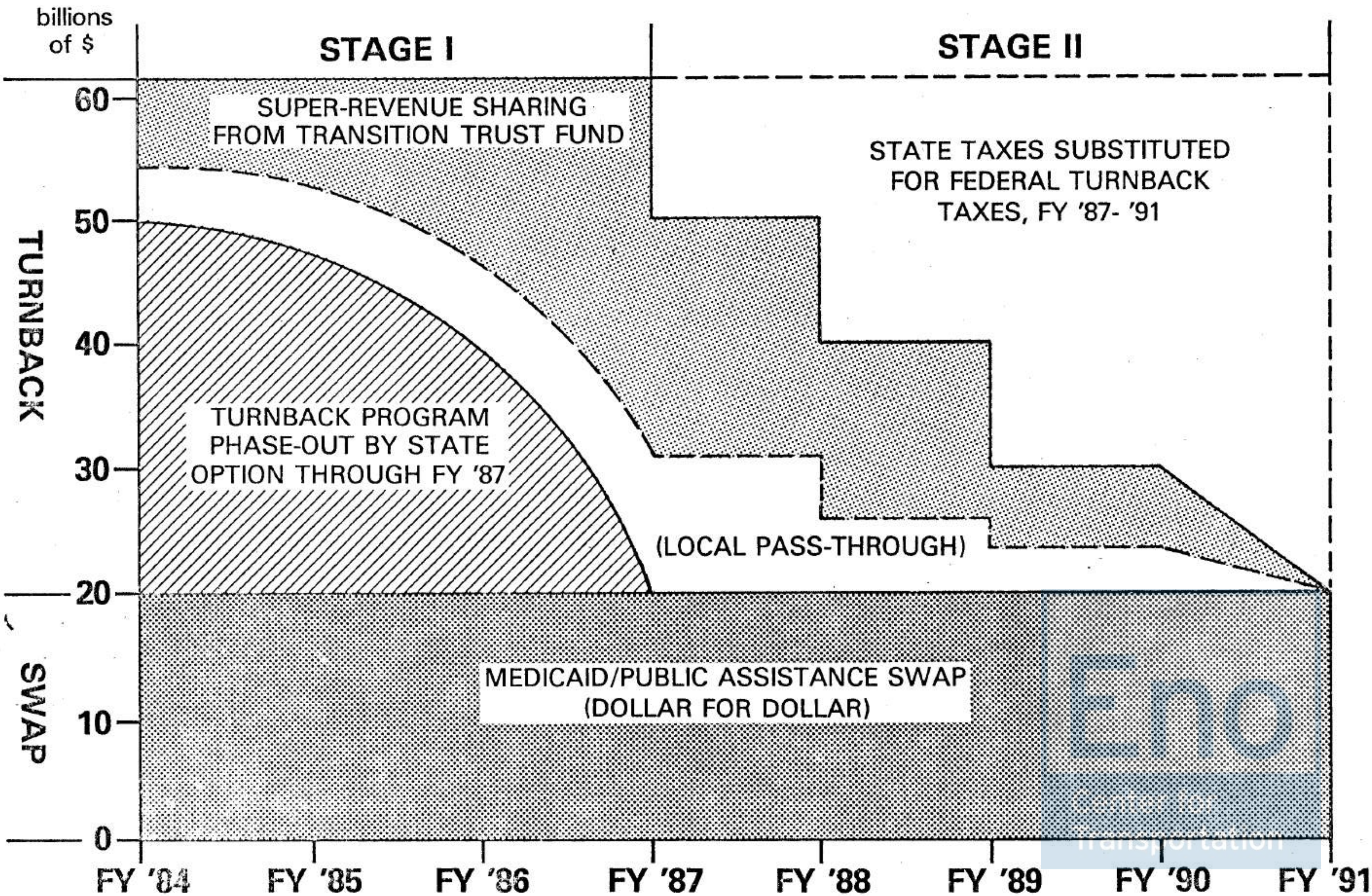
- o AFDC/FOOD STAMPS..............................(16,500)
- o LOW INCOME ENERGY.............................. (1,300)
- o CHILD NUTRITION................................ (3,597)

IV. SOCIAL AND HEALTH SERVICES........................ 4,397

- o HEALTH BLOCK GRANTS............................ (1,931)
- o SOCIAL SERVICES BLOCK GRANT..................... (1,974)
- o OTHER.......................................... (492)

V. GENERAL REVENUE SHARING AND OTHER.................... 4,700

## SCHEMATIC REPRESENTATION OF FEDERALISM INITIATIVE



## BUDGET DEFICITS/TAX INCREASES
## CONFLICTING CHOICES

* First consideration in making decision on policy choices is determing options:

-- no taxes/higher deficit
-- taxes/lower deficit
-- additional cuts/lower deficit

* Higher deficits are not an option:

-- market will not stand for
-- Hill will not accept
-- political ~~cuts~~ costs too high

* Therefore a narrow focus to lower deficits through:

-- raising taxes (loophole closings included)
-- additional cuts
-- or a combination of both

## SUMMARY

* There is absolutely no doubt that the level of deficits is of enormous political concern to Members of Congress. An overwhelming majority in both the House and the Senate would vote to balance the budget.

* However, there is no doubt that many in the House and Senate would resist the steps being proposed--such as deep cuts in entitlement programs and substantial tax increases--to reduce the deficit.

* Although everyone wants to reduce the deficits, very few of them are willing to vote for the specific changes being considered to reduce the deficit.

* In purely political terms, most Democrats hope the Administration will attempt to reduce the deficits through the politically unpopular cause of entitlement changes.

* In addition, they believe a substantial tax increase proposal will be a confirmation of their arguments that the supply-side tax policy has failed.

* The Democrats strategy is clear. They will express shock and dismay at the deficit level, attack the Administration for any entitlement changes proposed, and blame the deficits on the tax cut.

* Our strategy should also be clear. Keep the monkey on Congress' back. We need to send up a balanced package to maintain credibility with public and economic business communities and media. Our package should include:

  A. Substantial budget reductions
  B. Tax package
  C. Deferred defense spending
  D. Expanded Presidential authority to reduce spending

Deferred Defense Spending

-- Strong economy is the base for strong defense. "Cannot have strong defense abroad without strong economy at home."

-- Single greatest threat to long term military commmitment is continuing economic decline and resultant political reversal this fall.

-- Temporary delay in small defense outlays is cheap price to pay for contributing to smaller deficit projections.

-- Smaller deficits will buy the time necessary to allow for growth in economy.

-- Conversely if continue as we are--high deficits--we run the risk of delaying the recovery even further, losing ground politically as a result and then likelihood is we will lose both our economic program and defense build up.

-- President need not change his goals--simply his timing.

-- In short he will be showing a strong economy is the way to achieve a strong defense.

Expanded Presidential Authorization to Reduce Spending

-- In order to focus on the fact that deficit reduction depends on Congress cutting spending, the President could propose that Congress expand his authority to control spending.

-- The President currently has less authority than the Governors of nearly every state to block wasteful and duplicative spending.

-- While Presidential line-item veto authority would be ideal, the legal opinion, including that of our own General Counsel, is that this would require a Constitutional amendment.

-- However, legislation has been introduced in Congress by Senator Armstrong which would amend the Congressional Budget and Impoundment Act of 1974 to give the President expanded authority to control spending in a similar manner to a line-item veto.

-- Under the current budget process, the President may recommend to Congress that certain funds appropriated for a particular purpose are unnecessary and should be rescinded. However, if both Houses of Congress do not pass resolutions approving the rescission within 45 days, the spending must take place.

-- According to Armstrong, Congress has approved fewer than 28 percent of the rescissions proposed by Presidents Nixon, Ford and Carter since 1974, in most cases simply by not acting.

-- Under the Armstrong proposal, the Budget Act would be amended to require a Congressional veto of a rescission request rather than a Congressional approval.

-- Specifically, the bill would provide Congress with 45 days to pass a resolution of disapproval of a Presidential notification of intent to rescind or withhold appropriated budget authority.

-- This proposal would clearly put the monkey on Congress' back for excessive spending and deficits. No longer could they avoid Presidential rescission requests simply through inaction.

-- Under this proposal, the President would be telling Congress he is willing to take the tough steps necessary to control budget deficits.

-- But if Congress is unwilling to either cut spending or to give the President the ability to cut spending, the Congress is entirely to blame for the budget deficits.

-- And if the Democrats in the House and Senate try instead to repeal the third year of the tax cut, they can be accused of frustrating the President's attempt to control spending and attempting instead to balance the budget on the back of the working taxpayers of this country.

-- This proposal has benefits regardless of its outcome. If it is enacted, the President has more authority to control spending. If it is not enacted, Congress will be responsible for the deficits.

************

NB The House-passed version of the Budget Act contained a similar procedure for dealing with impoundments. Under the House bill, the President was required to report impoundments to Congress within 10 days. Either House of Congress then had 60 days to pass a resolution disapproving the impoundment.

EXTREMELY CONFIDENTIAL

MAJOR FEDERALISM INITIATIVE

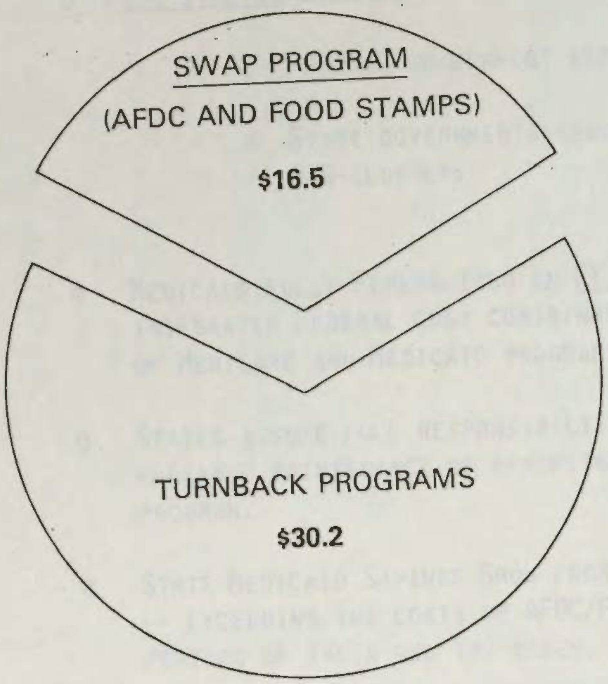
JANUARY 25, 1982

## I. Basic Features

- $50 billion transfer of Federal programs to States over 8-year phased transition -- with equivalent revenue sources. Two major components include:
  - Swap Component -- Federal take-over of Medicaid in swap for State take-over of Food Stamps and AFDC -- a $20 billion exchange;
  - Turnback Component -- 40 Federal education, transportation, community development and social service programs turned back to States -- with $28 billion Federalism trust fund to finance them.

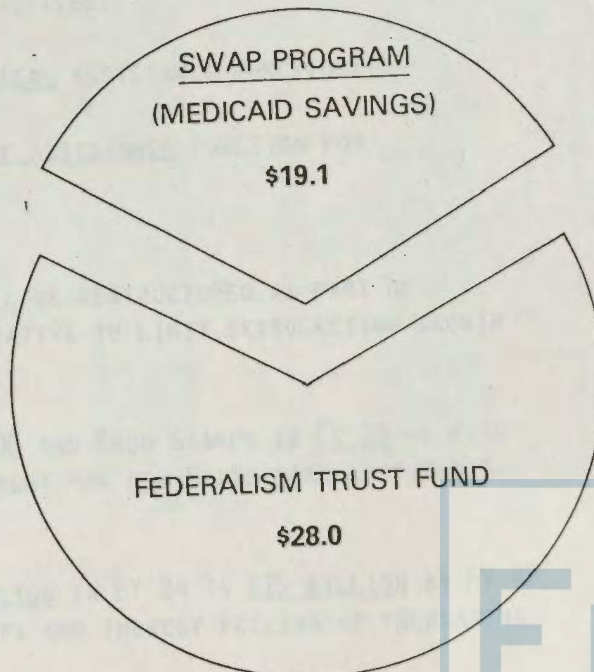
# FEDERALISM PROGRAM — FY '84 LEVEL
(BILLIONS OF DOLLARS)

## STATE/LOCAL PROGRAMS AND COSTS ABSORBED. . .




TOTAL: $46.7

## REVENUE SOURCES TO FINANCE THEM

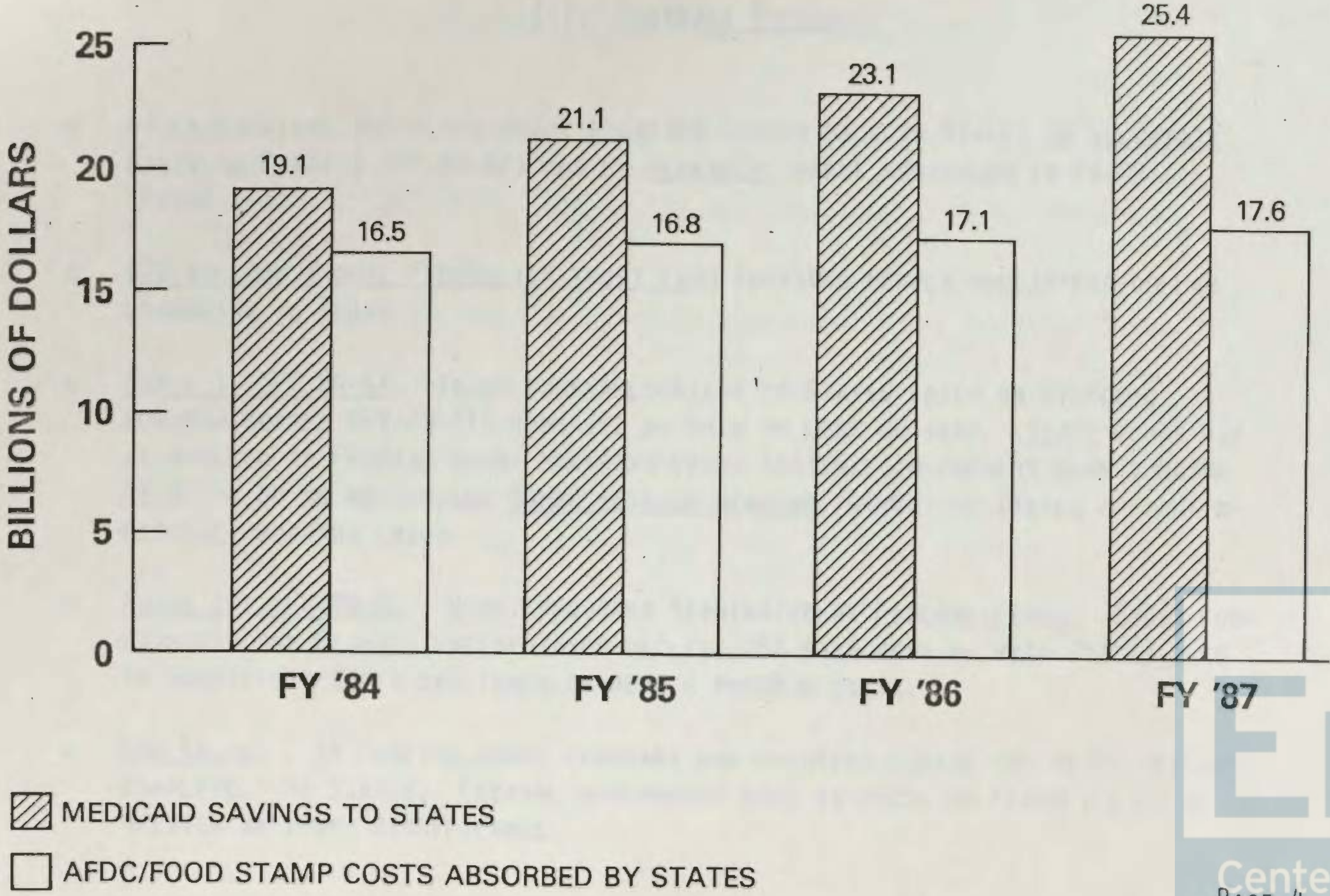



TOTAL: $47.1

## II. Medicaid/Public Assistance Swap

- o $20 billion exchange of program responsibilities:
  - o Federal government assumes medical assistance function;
  - o State governments assume income assistance function for non-elderly.
- o Medicaid fully Federalized in FY 84. Will be restructured as part of integrated Federal cost containment initiative to limit skyrocketing growth of Medicare and Medicaid programs.
- o States assume full responsibility for AFDC and Food Stamps in FY 84 -- with flexible maintenance of benefits requirement for new State cash assistance program.
- o State Medicaid Savings Grow from $19 billion in FY 84 to $25 billion by FY 87 -- exceeding the costs of AFDC/Food Stamps and thereby freeing-up increasing portion of their own tax bases.

# SWAP COMPONENT OF FEDERALISM INITIATIVE



## III. Turnback Programs

- 44 categorical and block grant programs turned back to States on VOLUNTARY basis in Phase I (FY 84-87) and on PERMANENT basis beginning in FY 88 (Phase II).

- $28 billion annual Federalism trust fund provides nearly dollar-for-dollar financing in Phase I.

- Phase I: FY 84-87. Trust fund allocation to States based on historic program shares (FY 79-81) modified by gain or loss on swap. State funds may be applied to Federal grant programs which continue in current form through FY 87 -- or as no-strings super revenue-sharing payment if States opt out of Federal programs early.

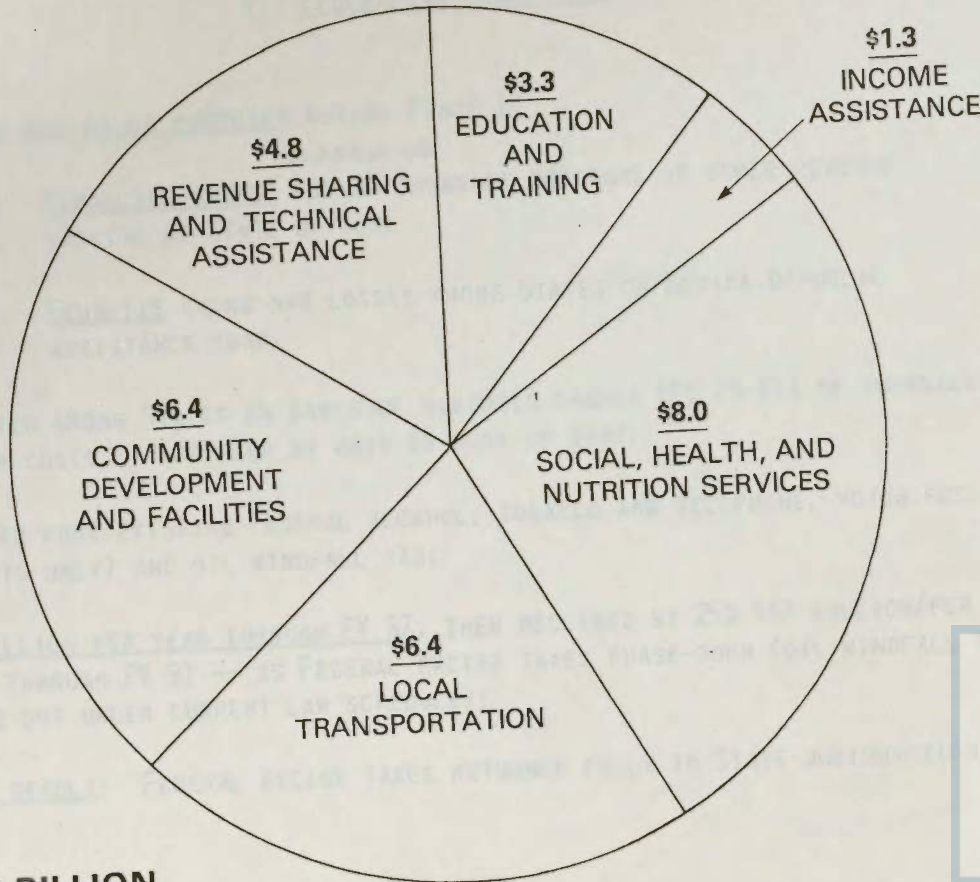
- Phase II: FY 88-91. Grant programs terminated at Federal level. Trust fund payments and Federal excise taxes decline 25% each year -- with States free to substitute their own taxes or reduce program costs.

- End Result. 44 Federal grant programs and existing excise tax bases returned completely to States. Federal government free to focus on fewer issues of greater national significance.

## IV. Federal Grant Programs Included in Turnback

- Turnback consists of Federal categorical and block grant programs oriented toward local community need and individual service delivery -- activities best suited for State/local management and discretion. Major programs include:
  - Non-interstate highways, airports and local mass transit;
  - Sewer treatment grants, UDAG, CDBG, and rural water/sewer and facilities grants;
  - Vocational rehabilitation and education, training and employment grants and State education block grant;
  - Health, social services and community services block grant, child nutrition, low income energy assistance, and numerous categorical social welfare programs;
  - Revenue sharing.

# TURNBACK PROGRAM COMPOSITION
## FY '84 LEVEL




**TOTAL: $30.2 BILLION**

## V. <u>Federalism Trust Fund</u>

- Used for <u>two major purposes</u> during Phase I:

  - <u>Financing source</u> for ~~[illegible]~~ APPROX 40 turnback programs or super revenue-sharing at State option;

  - <u>Equalize</u> gains and losses among States on Medicaid/public assistance swap.

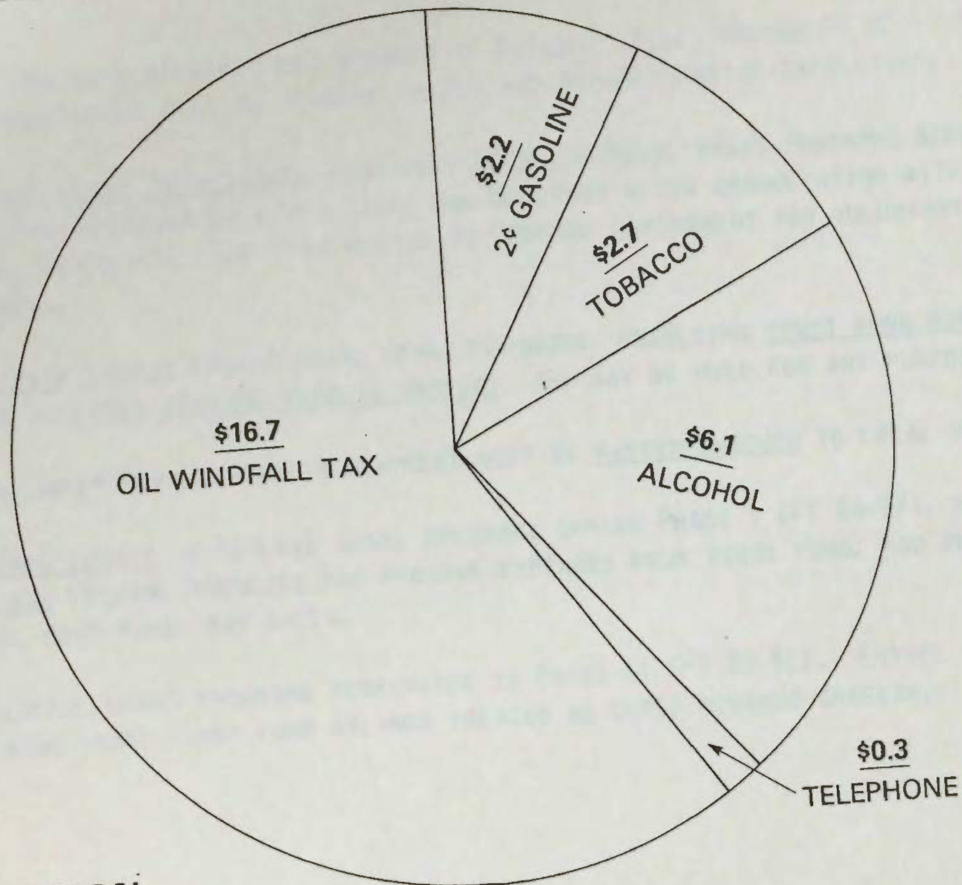
- Allocated among States on basis of historic shares (FY 79-81) of turnback program costs -- modified by gain or loss on swap;

- Financed from existing Federal alcohol, tobacco and telephone, motor fuel (2 cents only) and oil windfall tax;

- <u>$28 billion per year through FY 87</u>, then declines by 25% ($7 billion/per year) through FY 91 -- as Federal excise taxes phase-down (oil windfall tax phases out under current law schedule);

- <u>Final result</u>: Federal excise taxes returned fully to State jurisdiction.

# FEDERALISM TRUST FUND — DEDICATED RECEIPTS
## FY '84 — '87 LEVEL




TOTAL: $28 BILLION

## VI. STATE OPT-OUT MECHANISM - PHASE I

- FEDERAL PROGRAMS OPERATED AND MANAGED AT FEDERAL LEVEL THROUGH FY 87 -- TO GIVE STATES AMPLE TIME TO DEVELOP POLICY AND ADMINISTRATIVE CAPACITIES;
- STATES MAY ELECT TO WITHDRAW FROM SOME OR ALL FEDERAL GRANT PROGRAMS BEFORE FY 87 -- IF APPROVED BY LEGISLATURE AND GOVERNOR AFTER CONSULTATION WITH AFFECTED INTERESTS. ONE-YEAR NOTICE TO FEDERAL GOVERNMENT FOR VOLUNTARY WITHDRAWAL.
- IF STATES WITHDRAW FROM FEDERAL GRANT PROGRAMS, RESULTING TRUST FUND SURPLUS TREATED AS SUPER REVENUE-SHARING PAYMENT, AND MAY BE USED FOR ANY PURPOSE.
- SOME OF SUPER REVENUE-SHARING PAYMENT MUST BE PASSED-THROUGH TO LOCAL UNITS.
- IF STATES REMAIN IN FEDERAL GRANT PROGRAMS DURING PHASE I (FY 84-87), MUST REIMBURSE FEDERAL AGENCIES FOR PROGRAM EXPENSES FROM TRUST FUND, AND ABIDE BY FEDERAL CONDITIONS AND RULES.
- ALL FEDERAL GRANT PROGRAMS TERMINATED IN PHASE II (FY 88-91). ENTIRE DECLINING STATE TRUST FUND BALANCE TREATED AS SUPER REVENUE-SHARING.

## VII. Super Revenue-Sharing Pass-through

- To insure full local participation in the Federalism program and fair treatment during the transition, super revenue-sharing payments subject to three pass-through conditions:
  - If States opt-out of direct Federal-local grant programs (e.g. UDAG, mass transit) -- 100 percent pass-through to local units;
  - If States opt-out of other Federal programs -- 15 percent pass-through to local units based on general revenue sharing formula.
  - No pass-through of education monies -- as these programs generally not in jurisdiction of general units of local government.

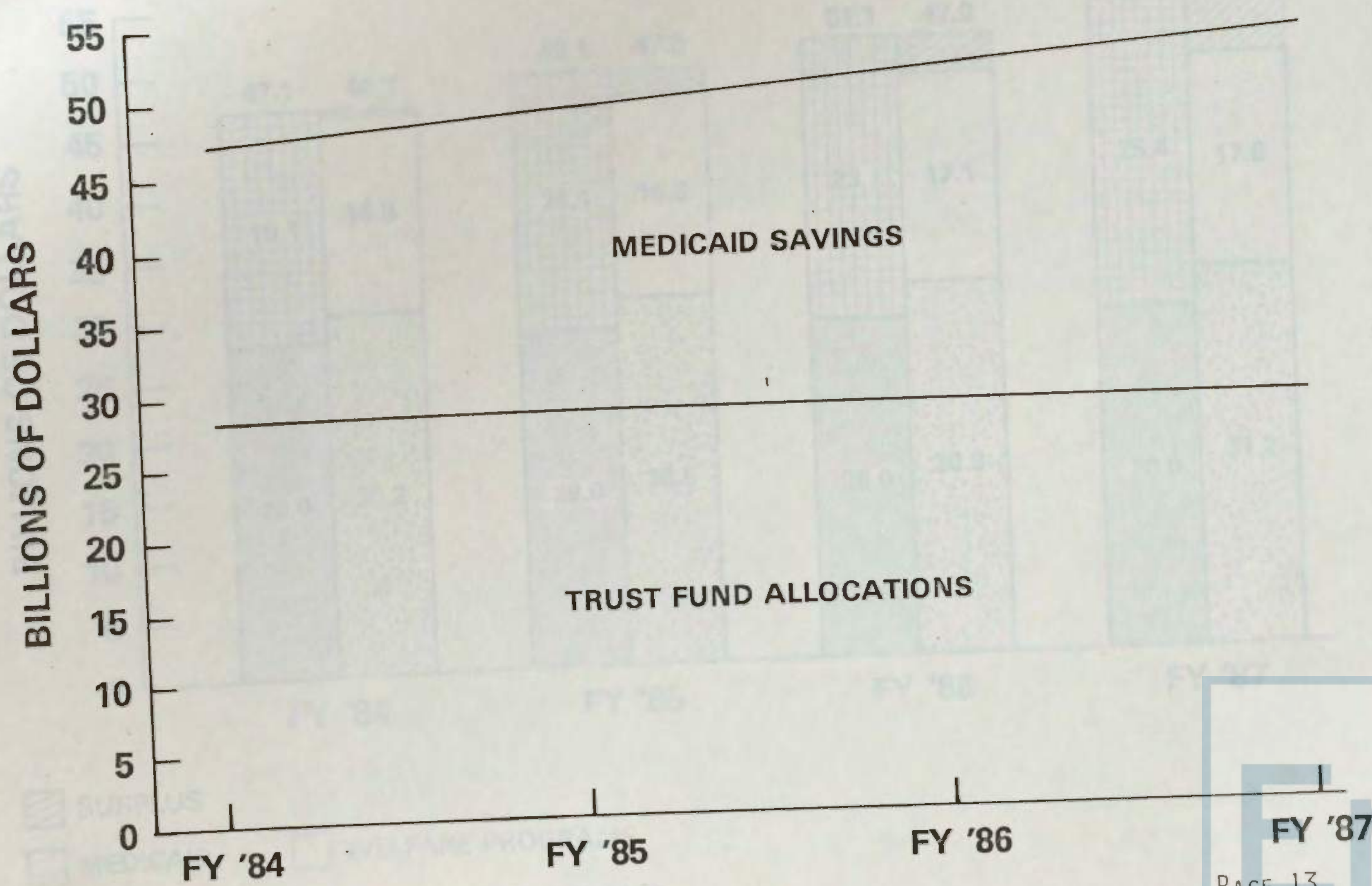
## VIII. State and Local Fiscal Impact

- $28 billion Federalism trust fund and growing savings from Medicaid Federalization over FY 84-87 provide increasing revenue sources to finance new State program responsibilities. Removes Federal funding uncertainty for rest of decade.

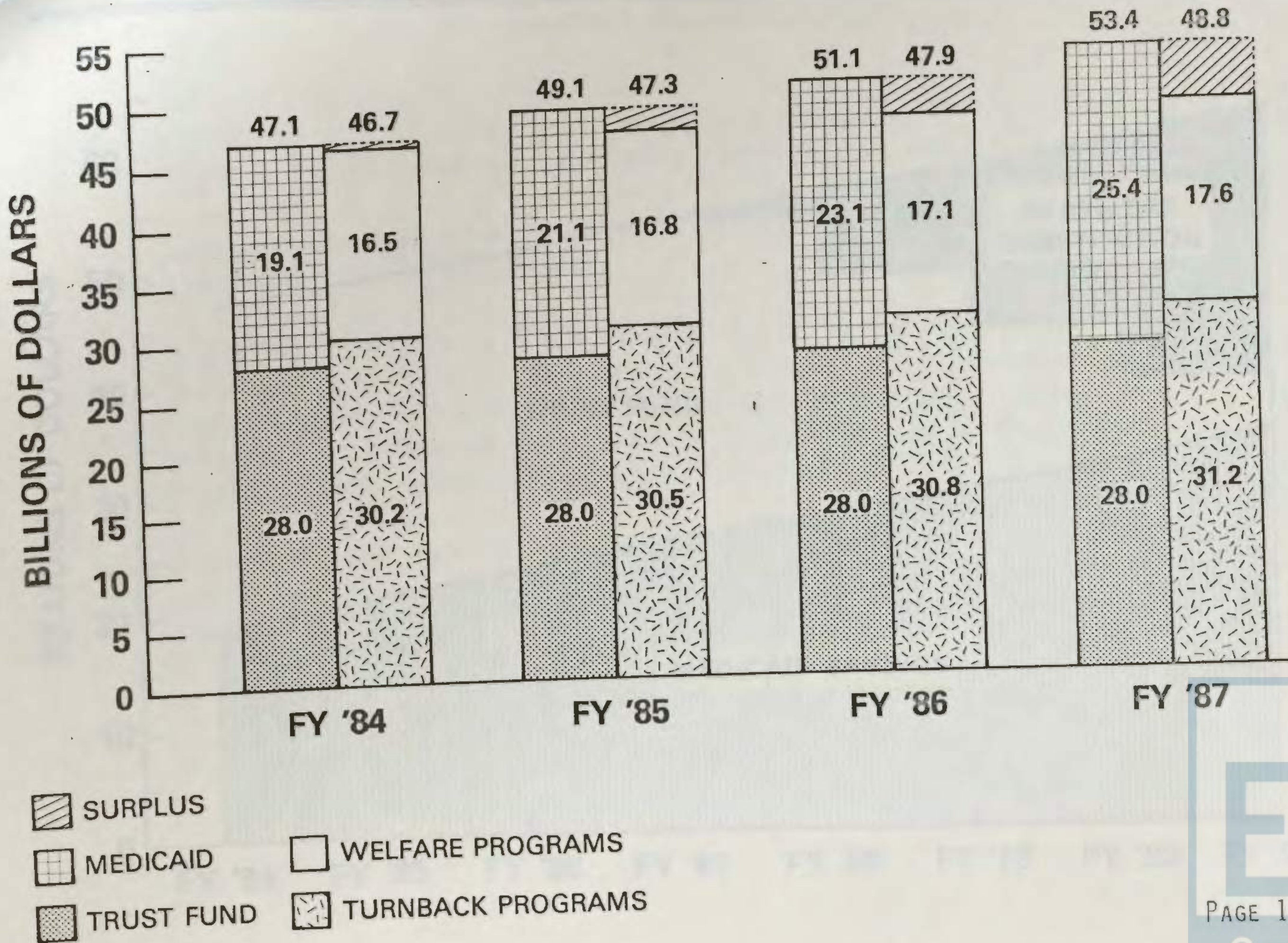
- Swap and trust fund/turnback components not-separable. Together they assure States as a whole an even fiscal trade, and that no individual State gains or loses more than ___ percent in total realignment.

- States have six years to determine best mix of program savings and tax increases before Federalism trust fund begins to phase out in FY 88.

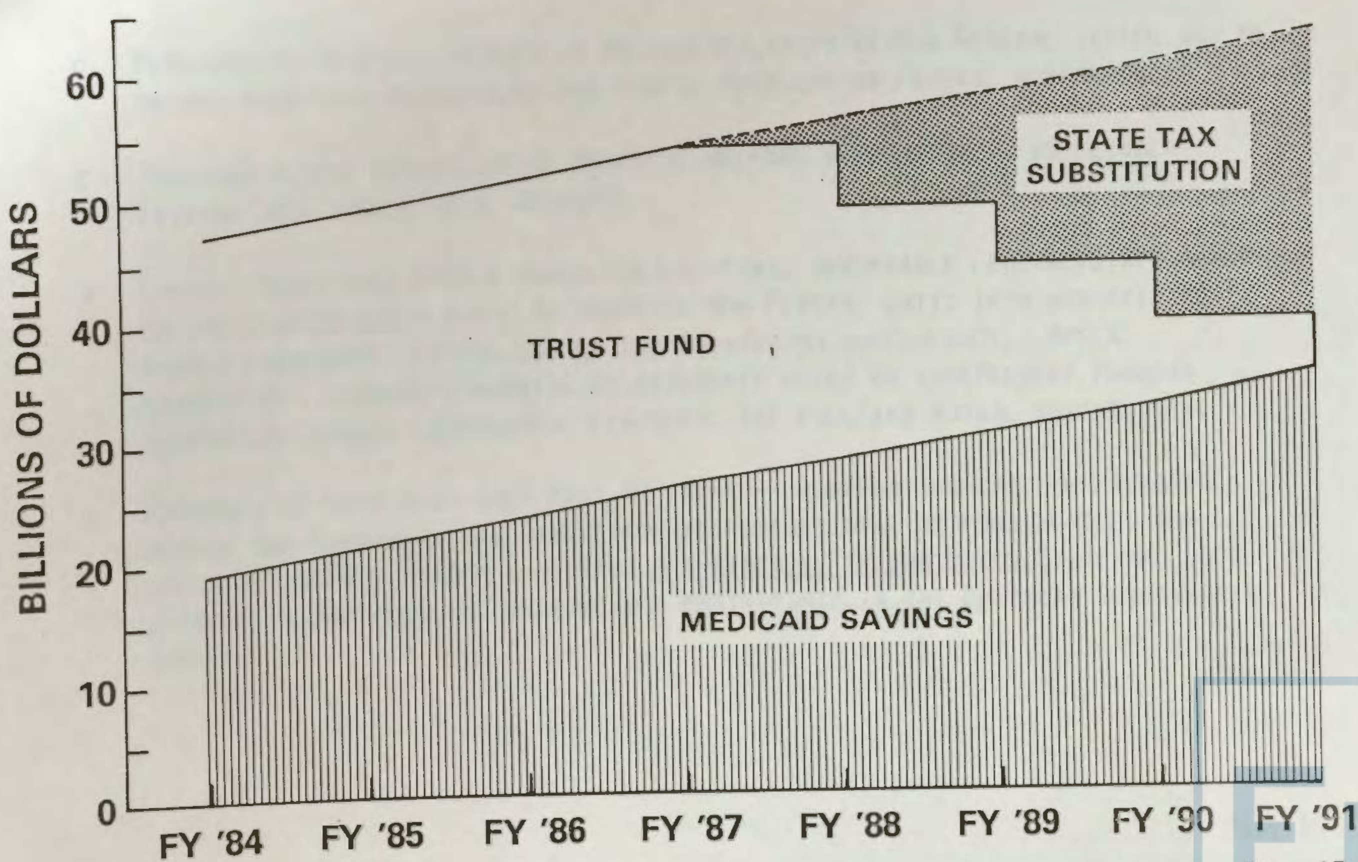
# REVENUE SOURCES AVAILABLE TO STATES



# NET FISCAL IMPACT



# STATE FINANCING SOURCES FY '84—'91



## IX. RATIONALE AND JUSTIFICATION

- o DESIGNED TO RESTORE BALANCE OF RESPONSIBILITIES WITHIN FEDERAL SYSTEM AND TO REDUCE DECISION, MANAGEMENT AND FISCAL OVERLOAD ON FEDERAL GOVERNMENT;

- o PROVIDES CLEAN SEPARATION OF DOMESTIC WELFARE RESPONSIBILITIES BETWEEN FEDERAL AND STATE/LOCAL SECTORS;

- o LARGELY ABOLISHES OVER 8 YEARS THE EXISTING, UNWORKABLE FEDERAL/STATE GRANT-IN-AID SYSTEM WHICH TENDS TO TRANFORM NON-FEDERAL UNITS INTO SUBORDINATE MIDDLE-MANAGEMENT EXTENSIONS OF THE WASHINGTON BUREAUCRACY. AFTER TRANSITION, INTERGOVERNMENTAL RELATIONSHIP BASED ON INDEPENDENT PROGRAM RESPONSIBILITIES, INDEPENDENT FINANCES, AND FULL AND MUTUAL SOVEREIGNTY;

- o PREMISED ON FACT THAT OVER PAST 30 YEARS -- REAPPORTIONMENT, GOVERNMENTAL REFORM AND MODERNIZATION, AND EXTENSIVE OPERATIONAL RESPONSIBLITIES FOR DOMESTIC WELFARE PROGRAMS -- HAVE <u>DRAMATICALLY STRENGTHENED</u> STATE AND LOCAL CAPACITIES FOR FULL AND RESPONSIBLE PARTNERSHIP IN THE AMERICAN GOVERNMENTAL SYSTEM.

# Clean Separation of Domestic Welfare Responsibilities

*Federal Government*

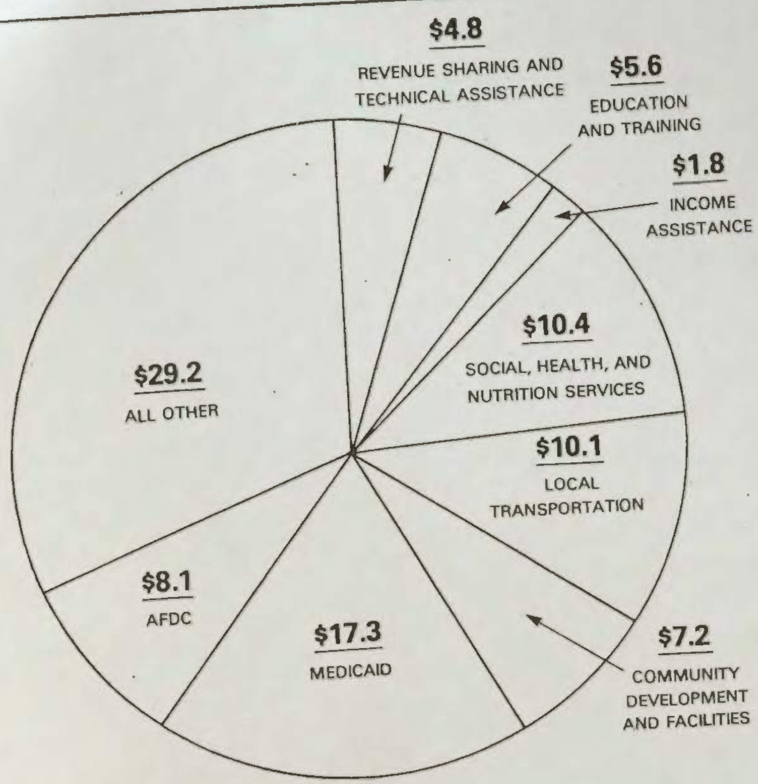
- Social Insurance System. Social Security retirement, disability and Medicare.
- Transfer Aid to Needy Elderly SSI, Medicaid, housing, senior service programs.
- Health Insurance and Medical Assistance. Medicare, Medicaid, and tax incentives for private insurance.
- Projects of National Significance/Priority. Compensatory education and Head Start, higher education support, handicapped education, Interstate highways, and regulatory protections with Interstate impact.

State and Local Sector

- Local Transportation. Bridges, streets, State/local highways, mass transit.
- Community Development and Local Capital Investment. Sewer treatment plants, neighborhood renewal, downtown revitalization.
- General Education. All current Federal programs other than handicapped and compensatory.
- Social, Health and Nutrition Service Delivery. Day care, rehabilitation, community health centers, drug/alcohol treatment, nutrition and health services to low-income families, social work and protective services
- Cash assistance to Non-elderly Needy. Successor programs of State/local design for Food Stamps/AFDC.

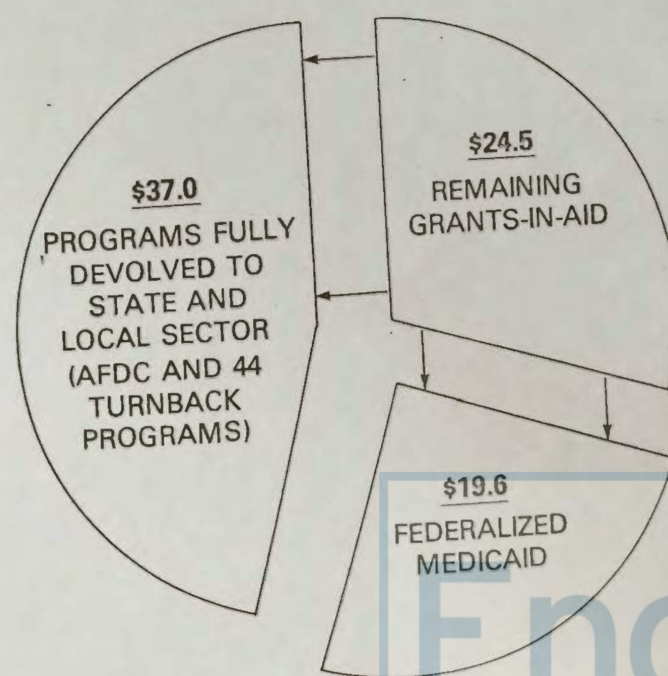
# TRANSFORMATION OF THE UNWORKABLE GRANT-IN-AID SYSTEM

## CURRENT GRANT-IN-AID SYSTEM




BASED ON 1981 TOTAL GRANT-IN-AID SYSTEM OF 94.6 BILLION DOLLARS

## AFTER FULL FEDERALISM REALIGNMENT




BASED ON 1984 TOTAL GRANT-IN-AID SYSTEM OF 81.1 BILLION DOLLARS

82-1153

THE WHITE HOUSE

Office of the Press Secretary

For Release at 2:30 p.m. EST
Wednesday, January 27, 1982

## FACT SHEET

## FEDERALISM INITIATIVE

### I. Summary

President Reagan has proposed in his State of the Union address a major reshaping of the fiscal relationship between the Federal government and the states. If approved by Congress, the full transformation will take place over the next decade, with the first major impact in fiscal year 1984. In the end, there will be a far clearer delineation of Federal and state responsibilities, with significant advantages to each. The plan as proposed is a framework for discussion, with detials to be filled in following intensive consultation in the coming weeks.

Following are highlights of the framework plan:

- o Starting in 1984 the Federal government would assume full responsibility for financing Medicaid while the states take over the two main welfare programs -- food stamps and aid to families with dependent children (AFDC).

- o This $20 billion swap would consolidate responsibility for the major medical programs at the Federal level and income assistance for the non-elderly needy at the state level. State savings from the swap grow by an increasing margin over time.

- o For the transfer of other Federal grant programs, a new $28 billion trust fund belonging to the states would be established. It would be financed by existing Federal excise taxes and a portion of the oil windfall profits tax.

- o During that period the grant-in-aid share of the Federal budget nearly doubled, to 14 percent last year; grants now finance 27 percent of state and local government expenditures compared to 15 percent 20 years ago; and they have risen from 1.4 percent to 3.4 percent of the gross national product.

- o The table below shows the growth of grants in several general functions and specific programs:

Increase in Federal Grants-in Aid to State

and Local Governments

(dollars in millions)

| Federal Grants in Selected Functional Areas: | 1960 | 1981 |
|---|---|---|
| Energy........... | $6 | $618 |
| Transportation... | $2,993 | $12,885 |
| Health........... | $214 | $18,607 |
| Income Security.. | $2,635 | $21,771 |

| Federal Grants in Selected Program Areas: | 1960 | 1981 |
|---|---|---|
| Vocational & Adult Education.. | $39 | $927 |
| Child Nutrition.. | $154 | $3,213 |
| Waste Water Construction Grants. | $40 | $4,200 |
| Elementary and Secondary Education........ | $69 | $3,345 |
| Human Development | $3 | $1,432 |

- o Statutory requirements and red tape associated with Federal assistance make the current Federal grant system almost impossible to administer. A typical grant program imposes from 300 to 500 separate requirements and mandates on state and local governments as a condition for receipt of funds.

- o The states would draw upon this trust fund as they assume responsibility for more than 40 present grant programs in the areas of education, community development, transportation and social services. Turnback of these programs to states would be optional through FY 87. If states elect to withdraw from the Federal grant programs before then, their trust fund allocations would be treated as super revenue sharing and may be used for any purpose.

- o For the states, individually and collectively, the plan involves essentially no net financial gain or loss. They would have a known, increasing and assured future source of financing without the present uncertainty over Federal budget cuts.

- o There would be protections in such areas as pass-through of funds to local governments, civil rights and adequate benefit levels for welfare.

## II. The Nature of the Problem

Federal grants to state and local governments have proliferated in the past two decades and have now attained a bewildering complexity that is satisfying to none of the parties. They have also been a significant cause of the growth of Federal spending. Numerous governors and mayors, and such bodies as the Advisory Commission on Intergovernmental Relations, have called urgently for reform.

- o In 1960, total Federal grant outlays to state and local governments were $7 billion; by 1981 they were about $95 billion.

- o In the same period the number of grant programs almost tripled, to about 500. In 1981, the Department of Health and Human Services administered more than 160 separate programs in the health area alone, for example. Seven different agencies provided grants for community and economic development, and five agencies funded water and sewer projects. There were 76 separate grant programs for elementary, secondary and vocational education.

- o Between 1960 and 1981, Federal grant funding levels grew at an average annual rate of 13 percent -- far faster than GNP, the Federal budget or public sector expenditures as a whole.

- o These requirements are accompanied by needless burdens on all parties. For example, child nutrition programs now involve 273 pages of Federal regulations and 62 million "burden hours" of paperwork a year, the equivalent of 30,000 persons working for a full year to fill out forms.

- o The Reagan Administration has made a start in dealing with this problem. Between 1980 and 1982, the total number of separate programs will be reduced, partly by terminating some programs and partly by consolidation into block grants.

- o Responding to Administration requests, Congress last year consolidated 57 programs into 9 block grants. But a solution to the problem requires going beyond block grants to the thorough transformation of the system proposed by the President today.

## III. <u>How the Plan Works</u>

- o Starting in fiscal year 1984, the Federal government will assume the full cost of the rapidly growing medicaid program, to go along with its existing responsibility for medicare. This will save the states an estimated $19 billion in 1984, which would rise to $25 billion in 1987 under present trends.

- o Also starting in 1984 the states will assume the full cost of the two major components of our welfare system -- food stamps, which is now federally financed but administered by the states, and aid to families with dependent children (AFDC), which is now shared between the states and the Federal government.

- o On a nationwide basis, the "swap" of medicaid for food stamps and AFDC involves a net saving for the states of more than $2 billion in FY 84, an amount that will grow in later years because of the rapidly rising cost of medicaid. This swap is independent of the new trust fund described in the following paragraphs.

- o The Federal government will earmark existing alcohol, tobacco and telephone excise taxes, 2 cents of the gasoline tax and a portion of the oil windfall profits tax for a new $28 billion Federalism trust fund that will belong to the states.

- The share of each state in the trust fund will be based on its 1979-1981 share of specified Federal grants now slated for "turnback" (see appendix A), with an adjustment for any gains or losses for individual states resulting from the medicaid-welfare swap.

- During a transition period of four years, FY 84-87, the states can use their trust fund money in either of two ways. If they want to continue receiving some or all Federal grants that are designated for turnback, they can use their trust fund money to reimburse the Federal agencies that make those grants and abide by Federal conditions and rules. Or, to the extent they choose to forego the Federal grant programs, they can receive their trust fund money directly as super revenue sharing, to be used for these or other purposes. There will be a mandatory pass-through of part of the super revenue sharing funds to local governments.

- The size of the trust fund will nearly equal the size of the turnback programs, which will total about $30.2 billion in FY 84. Thus the states, counting their net savings from the medicaid-welfare swap, will lose nothing in fiscal terms and, equally important, they will no longer have to be concerned about Federal budget reductions.

- Beginning in FY 88, the more than 40 Federal turnback programs -- which involved 124 separate grants in 1981 -- will cease to exist and the states will be in complete control of their own priorities.

- Also after four years, the Federal excise taxes will start to phase out, by 25 percent each year, and will disappear after 1991. The trust fund will go out of existence on the same schedule. The states will be able to impose the same excise taxes at their option to preserve their revenues, with no tax-raising effect on the items concerned. Or they can choose other revenues, or reduce program cost.

- During the period of operation of the trust fund, taking into account the medicaid-welfare swap, the problem of "winners and losers" among the states is minimal.

## IV. Operating Principles of the Plan

The plan represents a long-overdue effort to sort out responsibilities within the Federal system on the basis of clear principles and criteria. Apart from its natural functions such as defense, the Federal government will retain and in some cases assume responsibility for the most dramatically increasing domestic social needs.

Under the plan the Federal government will be responsible for health and income maintenance programs for the elderly, including social security, and health care for the poor of all ages.

The states will assume responsibility for domestic needs that are growing much less rapidly, have in most cases historically been a state and local function, and which even now are administered and largely financed by the states despite the proliferation of Federal grants.

As Governor Babbitt of Arizona has said:

> "Congress ought to be worrying about arms control and defense instead of potholes in the street. We might just have both an increased chance of survival and better streets."

In the Federal domain --

### Health Care

- o Health care has been the most rapidly rising expense for both the private sector and government. National health care spending more than doubled from 1974 to 1980, from $116 billion to $247 billion annually. The increase of 15.2 percent in national medical costs in 1980 alone was the largest on record.

- o Medicare and the Federal/state cost of Medicaid increased even more drastically, an average of 16% per year between 1975 and 1980, 21% in 1981 alone. Total costs grew from $30.8 billion to $72.5 billion. Only an integrated cost containment and reform program can hope to slow either program.

Aged

- o The country's proportion of persons above age 65 will increase by over 25% between 1970 and 1990, from 9.7% to 12.4% of the population. Current projections place the proportion at 20% by the year 2010.

- o Under social insurance and other programs this growth in the elderly population has produced and will continue to produce rapid growth of government outlays. The Federal government will bear major responsibility for these expenditures, including supplemental security income, medicaid, housing assistance and senior nutrition and service programs, as well as medicare and social security.

In the State domain --

- o Under current law, the total funding level for AFDC and Food Stamps is projected to increase only about 10% by 1987, compared with a projected 83% increase in the total cost of Medicaid in the same period.

- o As to education, the national school age population, aged 5-17, peaked in 1970 at 51.3 million and will decline 4% from 45.0 million in 1981 to 43.4 million in 1984.

- o States will receive a secure, dedicated revenue source to finance the turnback programs, removing most of the present uncertainty over funding levels.

  --In the past, states could not anticipate with certainty the level of Federal funding. From 1970 to 1981, Federal grants-in-aid to state and local governments increased in an erratic pattern ranging from 3% to 22%, and they decreased in 1982.

  --In the past, states have had to readjust their planning as often as seven times per year because of changes at various stages in the Federal budget process.

  --Federal excise taxes will be turned back and eventually eliminated, and excise taxes will be added to sales and property taxes as inherently state and local sources of revenue. In addition, the President's decision not to seek excise tax increases will maximize present state and local options to raise these taxes if they so desire.

o Protections will be maintained for cities, welfare recipients, and minorities subject to discrimination.

--A mandatory pass-through procedure for local general units of government is incorporated in the super revenue sharing element of the plan.

--Transition requirements will be established to ensure that welfare recipients will not have their basic benefits reduced as the states assume responsibility for AFDC and food stamps.

--Full civil rights protections against discrimination on the basis of race, color, ethnic origin, sex, religion, handicap and age are included on a model patterned after General Revenue Sharing.

o The Program will not result in significant net increases in migration from low to high benefit states.

--The program's maintenance of effort provision will provide protection for current beneficiaries in low benefit states.

--The data on the subject make clear that migration of the poor has occurred in response to economic opportunity, not welfare benefit levels; past migrations from the South to the Northeast reflected greater availability of jobs in the latter region during the 1950-1970 period.

--The point was summarized in 1978 by Senator Moynihan, while serving as Chairman of the Senate Finance Subcommittee on Public Assistance:

> "[T]he primary factor in deciding where to migrate seems to be labor market conditions; differences in state AFDC benefit levels have only a minor influence on the relocation decision of poor families."

V. State Readiness to Assume Responsibilities

As the Advisory Commission on Intergovernmental Relations has concluded,

"A largely unnoticed revolution has occured in state government. The states have been transformed to a remarkable degree. The decades of the 1960s and 1970s witnessed changes in state government unparalleled since the post-Reconstruction period a century ago, generally in the direction advocated by reformers for 50 years."

- o Twenty years ago, all but five state legislatures were badly malapportioned. Since Baker vs. Carr (1962), every state has apportioned its legislature on the basis of one person, one vote.
- o Past regional differences in wealth have narrowed dramatically. In 1960, the per capita income in the wealthier regions, the Mideast and Far West, was 16% above the national average, compared with an income level in the Southeast that was 27% below the national average.
- o By 1977, the relative disparity had been reduced by 40% with the wealthiest region, the Far West, having per capita income 11% above the national average and the poorest region, the Southeast, only 14% below. Moreover, all the states in the Southeast have experienced growth in per capita income since 1970 at rates exceeding the national average.
- o Between 1960 and 1980, black voter registration in the eleven Southern states rose from 29.1% of the voting age population to 59.8%. Southern white registration during the same period rose only 4% -- from 61.6% to 65.7%.
- o One-party states have largely become a phenomenon of the past. Since 1968, no single party has held a monopoly on senatorial and gubernatorial positions in any state.
- o The diversity of interest groups active at the state level has increased significantly since the mid-60s. Witness the growth of environmental, ethnic and racial minority, disadvantaged, tax reform, handicapped, and other citizen lobbies in virtually every state capital.

- Executive power in state government has become more focused, more accountable, and more professional. 46 states now have four-year gubernatorial terms; 45 permit their governors to succeed themselves; virtually all governors now control a state planning unit. Between 1965 and 1980, all states undertook reorganizations of executive departments; 24 states reduced the number of independently elected administrative heads.

- Almost all state legislatures now meet every year in either regular or special session; professional staffs now provide technical support for the finance and appropriations committees or in a central legislative unit in every state on a year-round basis, compared to only a handful 20 years ago.

- A 1979 Harris poll shows that the public views state legislatures as less wasteful, better able to give taxpayers value for tax dollars, and more in touch with what people think than the U.S. Congress.

- Every state judicial system is now required to hear and remedy cases arising under constitutional and other Federal law. In addition, state courts have taken the lead in many instances in extending rights beyond those recognized in Federal law. State court systems in virtually every state have been dramatically reformed.

- The proportion of state civil servants covered by a merit system has increased from 50% in 1960 to 75% in 1980.

- State revenue sources have become significantly more diversified and resilient. 36 states now have a corporate and personal income tax, as well as a general sales tax, compared to only 19 in 1960.

- State responsiveness to local fiscal needs has dramatically increased. Total state aid to localities funded from the states' own revenues grew nearly sixfold from 1965-1980, and now surpasses $60 billion a year.

## VI. Effect on the Political Process

- The proliferation of Federal programs has undermined the ability of elected officials to make actual policy. From 1964 to 1978, the number of roll call votes in the House rose from 232 to 1540, and the number of committee and subcommittee meetings rose from 3596 to 6771.

- While in 1965 Representatives reported that they spent an average of one day a week on legislative study, in 1977 the Obey Commission reported that Congressional study time shrank to only 11 minutes per day. The role of unelected staffs rose correspondingly: from 4500 House staffers in the mid-60s to 9000 in 1979.

- Federal categorical grant programs have treated the states as middle-level managers for the Federal government, rather than as sovereign states with programmatic, not just administrative, responsibilities.

- Stimulated by Federal growth, lobbying is now the third largest industry in Washington, with an annual budget of $4 billion. Exclusive of privately retained law firms and lobbyists, Washington offices of states, cities, and related public groups currently employ at least 1500 persons and consist of at least 72 special state and local interest groups, 32 states, 3 state legislatures, 20 cities and 10 counties. Mayors and governors now spend increasing portions of their time regularly travelling to Washington.

- The plan represents a non-partisan program for reorganization of Federal-state relations. Democrats presently hold 27 out of 50 governorships, and both Houses of the state legislature in 28 states, compared to 23 Republican governors and only 15 Republican state legislatures.

## APPENDIX A: ILLUSTRATIVE LIST OF PROGRAMS FOR TURNBACK TO THE STATES

| Category/Program | Number of Grants Made in FY 1981 |
|---|---|
| **Education & Training (5)** | |
| Vocational Rehabilitation | 5 |
| Vocational & Adult Education | 13 |
| State Block Grants (ECIA Ch. 2) | 28 |
| CETA | 8 |
| WIN | 1 |
| | 55 |
| **Income Assistance (1)** | |
| Low Income Home Energy Assistance | 1 |
| **Social, Health & Nutrition Services (18)** | |
| Child Nutrition | 4 |
| Child Welfare | 1 |
| Adoption Assistance | 1 |
| Foster Care | 1 |
| Runaway Youth | 1 |
| Child Abuse | 1 |
| Social Services Block Grant | 2 |
| Legal Services | 1 |
| Community Services Block Grant | 8 |
| Prevention Block Grant | 8 |
| Alcohol, Drug Abuse & Mental Health Block Grant | 5 |
| Primary Care Block Grant | 1 |
| Maternal & Child Health Block Grant | 7 |
| Primary Care Research & Development | 1 |
| Black Lung Clinics | 1 |
| Migrant Health Clinics | 1 |
| Family Planning | 1 |
| Women, Infants & Children (WIC) | 1 |
| | 46 |

Transportation (11)

| | |
|---|---|
| Grants-in-Aid for Airports.................. | 2 |
| Highways:.................................... | 6 |
| Primary | |
| Rural | |
| Urban | |
| Bridge | |
| Construction Safety | |
| Other | |
| Interstate Transfer........................ | 1 |
| Appalachian Highways....................... | 1 |
| Urban Mass Transit: | |
| Construction............................ | 1 |
| Operating............................... | 1 |
| | 12 |

Community Development & Facilities (6)

| | |
|---|---|
| Water & Sewer:............................. | 2 |
| Grants | |
| Loans | |
| Community Facilities Loans................. | 1 |
| Community Development Block Grant.......... | 2 |
| Urban Development Action Grants............ | 1 |
| Waste Water Treatment Grants .............. | 1 |
| | 7 |

Revenue Sharing & Technical Assistance (2)

| | |
|---|---|
| OSHA State Grants.......................... | 1 |
| General Revenue Sharing.................... | 2 |
| | 3 |

GRAND TOTALS:

| | |
|---|---|
| Programs................................... | 43 |
| Grants made in 1981........................ | 124 |

THE WHITE HOUSE

WASHINGTON

January 29, 1982

MEMORANDUM FOR SECRETARY REGAN ✓
EDWIN MEESE, III
DIRECTOR STOCKMAN

FROM: RICHARD S. WILLIAMSON RSW by JM

SUBJECT: THE PRESIDENT'S MEETING WITH 7 CONGRESSIONAL REPUBLICAN LEADERS, 6 GOVERNORS, AND 2 STATE LEGISLATORS

Date: Monday, February 1, 1982
Location: Cabinet Room
Time: 9:30 a.m. - 12:00 p.m.

---

I. PURPOSE

To listen to the initial reaction of these elected officials to the President's "New Federalism" initiative and to discuss suggestions they may have for reaching a mutually acceptable approach within the conceptual framework announced by the President in his State of the Union message.

II. BACKGROUND

All of these elected officials have been extensively briefed on the New Federalism initiative. The portion of the meeting prior to the President's arrival is an opportunity to discuss the design of the program and possible alternatives.

This meeting is intended to be the major event initiating the consultation process with Congressional, State, and local officials on the Federalism initiative. All of the elected officials attending hold leadership positions in their organization (see list of participants attached). It is hoped that these officials will be able to present to the media an indication that a constructive dialogue on the initiative has begun.

III. PARTICIPANTS

(See Attachment 1).

IV. PRESS PLAN

Photo opportunity immediately upon the President's arrival.

V. SEQUENCE OF EVENTS

| | |
|---|---|
| 9:30 - 9:35 a.m. | Ed Meese - President Reagan's comments on Federalism from the time he was Governor to the present. |
| 9:35 - 9:45 a.m. | Secretary Regan - The economic assumption underlying the New Federalism initiative. |
| 9:45 - 9:55 a.m. | Rich Williamson - The proposed intergovernmental consultation process on the New Federalism initiative. |
| 9:55 - 10:15 a.m. | Director David Stockman - The technical structure of the New Federalism initiative. |
| 10:15 - 11:15 a.m. | General Discussion. |
| 11:15 a.m. | - The President will join the meeting.<br>- Photo opportunity.<br>- He will make brief remarks and call on Governor Snelling for remarks on behalf of the NGA. Governor Snelling will be followed by Senator Baker, Congressman Michel, and State Senator Doyen on behalf of the National Conference of State Legislatures.<br>- Remaining time - general discussion. |

## ATTACHMENT 1

### LIST OF PARTICIPANTS

Governor Richard Snelling (R-Vermont)
Chairman of the National Governors' Association

Governor George Busbee (D-Georgia)
Immediate Past Chairman of NGA

Governor Scott Matheson (D-Utah)
Incoming Chairman of NGA

Governor Robert Ray (R-Iowa)
Past Chairman of NGA

Governor Lamar Alexander (R-Tennessee)
NGA Lead Governor on Federalism

Governor James Thompson (R-Illinois)
Chairman of RGA

State Senator Ross Doyen (R-Kansas)
Chairman of the National Conference of State Legislators

State Senator Dave Nething (R-North Dakota)
Chairman, National Republican Legislators Association

Senator Howard Baker (R-Tennessee)

Senator William Roth (R-Delaware)

Senator Dave Durenberger (R-Minnesota)

Rep. Robert Michel (R-Illinois)

Rep. Willis Gradison (R-Ohio)

Rep. Clarence Brown (R-Ohio)

1432
dm

**Date:** February 2, 1982

**MEMORANDUM FOR:** SECRETARY REGAN

**From:** Roger Mehle

**Subject:** White House Meeting on the Federalism Initiative

While you were away from the meeting yesterday, the discussion continued to be congenial and constructive but concern about three primary issues ran through the discussion.

The first was anxiety about further budget cuts in FY 1983 and FY 1984, as actual program levels in the latter year will be the reference for the operation of the Trust Fund. Assurances that the initiative will provide dollar-for-dollar turnbacks appears to have defused this concern, at least until the 1983 Budget comes out Monday.

The second concern related to the absence from the initiative of explicit attention to "fiscal disparities:" differences among the States in the resources available from their own sources to handle the responsibilities to be turned back. The chief focus of this concern, articulated by Senator Durenberger and Congressman Brown, is the particular good fortune of the handful of States that are sitting on major energy reserves--Alaska, Texas, and Louisiana preeminently--which provide them with abundant taxable capacity. To date, the Administration has avoided being drawn into this debate. Should it heat up, it could be a significant stumbling block to the Initiative.

The third concern was emphasized by Governor Snelling: the absence of a "Phase III" in the Initiative. That is, what is to happen after 1991, when the Trust Fund and the Federal excise taxes will have been fully phased-out and the states will be on their own? Snelling argued that a modest ($18 billion or so) continuing trust fund--distributed to equalize fiscal capacities among the States--would be sufficient to allay skepticism about the long-range abilities of the least prosperous States to go it alone. Governor Thompson of Illinois, among others, disagreed on the need for or desirability of continuing Federal involvement.

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| Surname | | | | | | |
| Initials / Date | / | / | / | / | / | / |

OS F 10-01.11 (2-80) which replaces OS 3129 which may be used until stock is depleted

Several governors expressed a stong interest in obtaining more information from OMB on the detailed numbers underlying the proposal. Mr. Stockman said he would make the information available after the budget's release.

I listened afterwards to the remarks of participants to the media. Some seemed to be striving for an image of more unity among the governors on the continuing federal role than was apparent during the session.

My staff and I plan to be in contact with OMB to develop any projections needed for future discussions on this subject.

18 FEB 1982

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

MEMORANDUM FOR ED MEESE

From : Drew Lewis Drew

Re : Preliminary Draft on User Fees

Date : February 18, 1982

Attached is a preliminary draft relative to user fees in the Department of Transportation. I have not circulated this to anyone in the White House or the Cabinet Council on Economic Affairs. As you know, I am convinced that the present gasoline user fee is inadequate to cover the needs in highway construction and maintenance as well as capital requirements in mass transit.

We now have user fee proposals before Congress for airport development calling for increased aviation gasoline taxes and airline ticket taxes, Coast Guard and inland waterway user fees, and port development. These would fund 100% of costs attributable to nongovernment use. I would like to initiate a program to increase user fees for highways and would appreciate your comments on this proposal. If we do not increase the highway user fee (which, by the way, highway users support) we shall jeopardize our proposals in the other modes, all of which are significant to OMB, the President's program and, obviously, to DOT.

Not only would this proposal improve the infrastructure for highways, it would produce approximately $10 billion offset for budget deficits over the next four fiscal years. The reason for this deficit offset is the lag in outlays from the trust fund versus funding. Unlike excise taxes, it is not a "shell game" to have gas taxes offset deficits.

Such an increase would also benefit the Federalism initiative by reassuring state and local officials that the transportation programs selected for transfer are accompanied by adequate revenues. As currently proposed for transportation, without such corresponding funding, the Federalism turnback does not adequately fund the needs as the Administration has promised.

Obviously, I am prepared to carry the water for this proposal on the hill. However, I would clearly not make a move on such a program until the Administration feels this is consistent with its goals.

FEDERAL TRANSPORTATION PROGRAMS

Their Relationship to the User Charge
Philosophy and Federalism

## STATEMENT OF THE ISSUE

Major transportation assistance programs are being proposed by DOT and the Administration in a manner consistent with a full user charge cost recovery policy and with Federalism's principles as to the appropriate division of responsibility between Federal and state/local governments. While the majority of these programs are discussed below, there is one exception to the principle related to funding of highway programs. A large gap has evolved between the cost of highway related programs and the user charge revenues received today. The rejection of a necessary increase in highway user charges belies the user charge principle and risks undermining the Administration's entire program for imposing and increasing transportation user charges in general. The shortfall in funding for these proposals must be addressed whether the federal government continues to administer the programs or they are returned to the states under our new Federalism initiative.

## RECOMMENDATIONS

The proposal suggests increasing highway user charges, beginning in FY 1983 (or January 1, 1984) approximately $5 billion to bring current highway user charges into line with the level of expenditures required to maintain the system in an adequate condition. Approximately 80% each year would be used for highways and $1 billion per year would be used for capital expenditures for mass transit (necessary to eliminate the need to build extraordinarily expensive urban freeways that cannot be afforded). The proposal provides for needed investment in the transportation capital plant to ensure economic growth and improved productivity and will permit the turnback of programs to the states with adequate revenue for needed expenditures. Further, the proposed solution will enhance the Federalism initiative by eliminating criticism that Federalism initiatives in transportation programs are underfunded to a degree which would permit large federal investments in infrastructure to dissipate. Finally, as discussed below, the proposal would have a positive impact of approximately $10 billion over the next four years on the federal budget.

## BACKGROUND

In two recent addresses to the Nation President Reagan sounded themes which have particular relevance to the transportation funding programs in which the Federal Government is presently involved. First, in his September 24, 1981 Address on the Program for Economic Recovery, the President stated his firm belief in user fees, particularly in transportation. He said, "When the Federal Government provides a service directly to a particular industry or to a group of citizens, I believe that those who receive benefits should bear the costs." Second, in the January 26, 1982, State of the Union Message, the President called for a "New Federalism" and outlined his plan for turning back 43 programs to the states, including several specific Federal transportation progams.

The principles and objectives of New Federalism have been widely publicized and are well understood, so they need not be reiterated here. But the user charge policy and the extent of our efforts to carry it out in the transportation sector have received less attention. User charges have been the centerpiece of the Administration's plan to restore marketplace incentives for efficient Federal transportation services as well as to ensure that the costs are paid for by the users and beneficiaries of those programs (See Table 1: Federal Cost Recovery).

User charges should not be considered as taxes imposed on the general taxpayer. Rather, user charges are paid by individuals according to the extent and character of their use of certain services. Furthermore, the question of whether to increase a user charge should not be constrained by fiscal policy, although programs fully financed by user charges may have positive effects on the budget balance. Indeed, if highway user charges were increased by the equivalent of five cents per gallon of motor fuel, there would be a positive impact on the budget of close to ten billion dollars over the next four years. Because the Highway Trust Fund balance would be higher, $2.2 billion in additional interest would be generated over the same period (See Table 2: Budget Effects of Increased Highway User Charges).

Because of the importance of both the user fee and Federalism themes to this Administration, this paper reviews plans for those transportation programs in which there is presently a strong Federal presence to determine their consistency with these themes.

Federal-aid Highway Program

The user charges imposed in the Federal-aid Highway Program are the oldest and best model at the Federal level in transportation of the principle of users paying for services received. Funds flow from user fees directly into the Highway Trust Fund and from the Trust Fund primarily to highway and highway-related uses.

The highway program has also been one of the most successful and effective Federal programs and has operated with a long tradition of shared Federal-state oversight. This assessment is reflected in the 1981 Heritage Foundation report on the Federal Government, which stated: "The Federal Highway Administration is generally regarded as an agency whose goals are clear and whose management has been generally effective."

The tradition of the present Federal-aid highway program is one in which states are accorded full authority for program decisions and implementation. Virtually all significant investment decisions in the highway program are made by state, not Federal, officials. The FHWA program is not among those programs created in the last 20 years which substituted for or usurped state authority. Instead it has provided support to states and localities for implementing their decisions.

The existing program provides funding for a variety of highways ranging from the Interstate System down to the secondary and urban roads. In the "New Federalism," it is proposed that responsibility for all of the highways except the Interstate be turned back to the states, along with two cents of the existing four cents per gallon Federal fuel tax.

Due to the magnitude of their role in all aspects of the nation's commerce, these highway systems will exert a significant negative impact on the economy if allowed to deteriorate and become inefficient. The entire economy relies upon the efficient movement of freight and people. Nevertheless, there is substantial evidence that our highway and transit infrastructures are deteriorating rapidly. Overall highway performance is declining, and approximately one in five Federal-aid system bridges is deficient. In urban areas, where over half of all highway travel occurs, congestion has become a costly feature of peak-period travel. Critical deficiencies in mass transit performance threaten to compound the congested highway conditions. Transit facilities and equipment in older, large cities have reached a state of severe deterioration. Total needs now far exceed what can realistically be expected from the present programs and revenues.

In addition, the deterioration of the nation's transportation capital infrastructure and the capital funds needed to correct such a decline have received recent Congressional attention. Congress has recognized that no matter who is responsible for the various pieces of the program, an increase in current highway user charges is needed simply to maintain current performance levels on our highway network.

Such an increase would also benefit the Federalism initiative by reassuring state and local officials that the transportation programs selected for transfer are accompanied by adequate revenues. Finally, if the level of highway user charges is not adequate to provide for the necessary expenditures the Administration's user charge principle of 100% cost recovery in other modes of transportation, as discussed below, will be seriously undermined.

Deep Draft Ports

Today the dredging of deep draft (14 feet or more) harbors and their connecting channels is performed by the Army Corps of Engineers and financed by the Federal Government from general revenues. Since last spring the Administration has been working to obtain legislation that will shift the financing responsibility to the states and localities and will allow them to recover their costs through user charges from the immediate beneficiaries, i.e., the commercial interests that use the ports and channels. DOT, OMB and the COE are presently determining the strategy to be followed in this session of Congress to achieve enactment of full cost recovery legislation.

Inland Waterways

In 1978 Congress adopted a waterway user charge in the form of a fuel tax of four cents a gallon, rising to ten cents by 1985, which only nominally recovers the costs of Corps of Engineers maintenance of the waterways and their locks and dams. At the same time, Congress asked

DOT for an impact study (the Section 205 Study) before considering higher user charges. That study was released on January 29, 1982. The Administration has made its intention clear to seek full cost recovery on the inland waterways in this session.

Coast Guard

All of the Coast Guard's budget is funded from general revenues, even though certain of its services can be identified as benefitting specific classes of users. Last year, the Administration proposed legislation that would recover those costs from users. Currently the DOT is preparing revised legislation which will stand a better chance of passage while remaining fully consistent with the user charge philosophy.

Aviation Programs

The current cost of the Federally-operated air traffic control system is partially funded through user contributions to the Airport and Airway Trust Fund. Last March, the Administration proposed legislation which would have increased those charges to bring them into line with costs through increased ticket, fuel and other taxes. The President's proposal to return airport funding to the states as a part of the "New Federalism" is a logical extension of previous efforts to "defederalize" airports and will be factored into the DOT's legislative plans.

Urban Mass Transit

In recent years, the Federal Government has provided both operating and capital assistance for mass transit. Because operating assistance has been both distorting and counter-productive, the Administration has proposed legislation to phase it out.

Until the President's announcement of the "New Federalism," the DOT had been drafting legislation which would have put the remaining transit capital assistance programs on a "block grant" basis in order to afford maximum flexibility to states and local governments. The proposal to turn those programs over to the states is a logical extension of DOT's plans and makes good sense.

Whichever level of government bears the responsibility, it is clear that over the next four years, funding of all necessary transit capital replacement needs will be extremely difficult. The Department had originally proposed an additional one billion dollars for transit capital projects, to be funded by the revenue from a one cent per gallon increase in the gasoline user charge. Given the expected imbalance between the states' and cities' needs for transit capital funds and the amounts available to them, it still makes sense to increase user charges by an additional one cent, to provide approximately $1.0 billion annually, and to add that amount to the $2.2 billion in highway user charge revenues that are to be turned back to the states.

Even though the one cent would be intended for mass transit, its imposition would not be consistent with the user charge philosophy. If transit is allowed to deteriorate, it will be necessary to provide compensating additional highway capacity. The cost of freeway and parking facilities will be much greater than the relatively minor expenditures needed to preserve the mass transit infrastructure. Further, the resulting inefficiencies and increased cost, in both goods and people movement, will begin to erode private sector productivity gains and dampen the nation's economic recovery.

CONCLUSION

Highway user charges should be increased by the equivalent of five cents per gallon of motor fuel to provide the funding necessary for Federal transportation programs that are national in scope as well as for those that will be shifted to the states.

TABLE 1

Federal Cost Recovery

(Dollars in Millions)

| Program | Current Federal Cost Recovery FY 1982 | | Proposed Cost Recovery | |
|---|---|---|---|---|
| | Dollars | Percent | Dollars | Percent |
| Deep Draft Ports 1/ | $ 0 | 0% | $323 | 100% |
| Inland Waters (shallow draft nav.) | 26 | 10 | 280 | 100 |
| Coast Guard navigation, recreational and safety programs | 0 | 0 | 794 | 100 |
| Aviation 2/ | 1305 | 50 | 2600 | 100 |
| Highways 3/ | 7800 | 100 | not avail. | 100 |

1/ Additional spending may be financed directly by state and local authorities.

2/ Federal cost recovery for FAA programs was about 50% in FY 1981. Because of the expiration of statutory authority, no revenues are currently being deposited into the Airport and Airway Trust Fund. In March 1981, the Administration proposed legislation that would reauthorize revenue deposits into the Aviation Trust Fund, change some of the user fees and finance 85% of FAA programs from the Trust Fund. This percentage represents 100% of FAA capital, operating and maintenance and other costs clearly allocable to System users. The New Federalism proposal would return some of these user charges to state and local government for local airport development.

3/ The estimated receipts total $7.8 billion in FY 1982. Outlays are estimated at $8.3 billion. Actual cost recovery remains at 100 percent because there currently is a balance in the Highway Trust Fund that is being used to cover cash outlays.

TABLE 2

## BUDGET EFFECTS OF INCREASED USER CHARGES

The following table summarizes the budget impacts of the DOT proposed increases in user charges compared to current user charges and program levels. These figures represent a conservative statement of the budget benefits, reflecting only the differences between user charge receipts and outlays, as computed in the Federal budget.

| | FY83 | FY84 | FY85 | FY86 | FY83-86 |
|---|---|---|---|---|---|
| User Charge Increase | 5.5 | 5.4 | 5.3 | 5.2 | 21.4 |
| Outlay Increase | .8 | 2.8 | 3.7 | 4.3 | 11.6 |
| Net Budget Impact | +4.7 | +2.6 | +1.6 | +0.9 | +9.8 |
| HTF Balance | 12.7 | 14.7 | 15.2 | 14.8 | --- |
| Interest Increase | .2 | .5 | .7 | .8 | 2.2 |

In addition to receipt/outlay differences, which determine the budget balance, an important secondary budget consideration is the amount of cash available in the Highway Trust Fund (HTF), which reduces federal borrowing needs in the private money market. HTF interest payments represent intergovernmental transfers not net outlays, thereby providing an important cash flow advantage to the government. Because the HTF balance is raised under the DOT proposal, $2.2B is generated in additional interest over the FY 1983-1986 period. Although such interest transactions are not visible in the federal budget, DOT believes that the imputed value of HTF interest payments must also be considered.

25 FEB 1982

# THE WHITE HOUSE

WASHINGTON

February 25, 1982

NOTE FOR ED MEESE

FROM: CRAIG FULLER CF

Drew Lewis called to ask that if the Cabinet Council is going to discuss the gas tax/user fee issue on Monday, that no announcement be made with regard to that until Monday.

Drew is out of town and will call me tomorrow with details.

I trust you want something scheduled in the Cabinet Council on Economic Affairs?

With or without the President?

2/25 @ 10:50 am

4 MAR 1982

AT 060 KC

THE WHITE HOUSE

WASHINGTON

March 4, 1982

F Action Tracking
file folder
GasTax/User Fee

MEMORANDUM FOR ROGER PORTER

FROM: N. A. HODAPP
OFFICE OF CABINET AFFAIRS

SUBJECT: Gas Tax/User Fees

I am advised by you that the issue of gas tax/user fees falls within the realm of Transportation User Fees/CM174, which was addressed previously be CCEA.

I am further advised that while the gas tax/user fee issue can be incorporated in CM174, it is in fact another issue -- in Drew's mind; and for CCEA consideration.

Mr. Meese continues to emphasize the importance of issue-specificity, including distinction among similar issues raised at different times during the Administration (eg. Embargo/'81; Embargo/'83; etc.).

Therefore, I am assigning the following cabinet matter to the gas tax/user fee issue:

CM215 Transportation User Fees/'82

Thanks.

cc C. Fuller
K. Cribb

THE WHITE HOUSE

WASHINGTON

March 5, 1982

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER

SUBJECT: Agenda and Papers for the March 9 Meeting

The agenda and papers for the Tuesday, March 9 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 8:45 a.m. in the Roosevelt Room.

The first agenda item is transportation user fees. Secretary Lewis has requested that the Council consider this issue. A paper, prepared by the Department of Transporation, entitled "Highway and Transit Systems: Meeting Unfunded Needs," is attached.

The second agenda item is a discussion of sectoral implications of defense expenditures. A paper on this issue, prepared by the Department of Commerce in coordination with the Department of Defense and the Council of Economic Advisers will be distributed to Council members at the meeting.

The third agenda item is a review of the near term future for the U.S. active shipbuilding base. A paper on this issue, prepared by the Department of Transportation, is attached.

Attendance at this meeting will be limited to principals only.

Attachments

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

March 9, 1982

8:45 a.m.

Roosevelt Room

AGENDA

1. Transporation User Fees (CM#215)

2. Sectoral Implications of the Defense Buildup (CM#151)

3. Shipbuilding Assessment (CM#205)

# HIGHWAY AND TRANSIT SYSTEMS: MEETING UNFUNDED NEEDS

## A User Charge Proposal Consistent with New Federalism

## THE ISSUE

The President's 1983 budget and legislative proposals provida adequate funding for transportation purposes, with two notabla exceptions. The most visible and most heavily used parts of the system--our highway and public transit networks--are confronted with sarious problems of physical deterioration far beyond the capacity of existing revenue sourcas. The existance of this funding shortfall has been clearly recognized by the states and threatens the success of the President's New Federalism initiative, as well as the Administration's user charge programs, particularly in transportation.

## THE PROPOSAL

The proposal would increase annual highway user charges by the equivalent of 5 cents per gallon, beginning in FY 1983 (or January 1, 1984) to raise approximately $5 billion to bring current highway user charges into line with the level of expendituras required to maintain our highways and to help keep transit facilities in adequata condition. These revenuas would be raised by a combination of a 4 cent gas tax increase and the equivalent of 1 cent from other highway user charges, such as heavy truck use taxes, so that all revenues are not directly raised from consumers. Approximately $4 billion of the increase would be used for highways and $1 billion per year would finance capital expendituras for mass transit (in lieu of building expensive urban freeways). The proposal provides essential maintenance of the transportation infrastructure to ensure economic growth and improved productivity. Finally, as discussed below, the proposal could have a significant positive impact over the next few years on the federal budget. This proposal is essential to the President's New Federalism commitment that programs turned back to the states are accompanied by adequate revenues.

## HIGHWAY AND TRANSIT SYSTEM NEEDS

Numerous raports from system users, DOT data, national media attention and GAO investigations show that our highway and transit systems are seriously deteriorating. This situation has been developing for many years, and reflects several basic factors:

- o Highway pavement conditions and congestion present serious problems to the efficient movement of goods and services.
    - Mora than 4,000 miles, a full 10% of the Interstate system, now needs immediate resurfacing or replacement.

- On some Interstate highways, traffic is limited to one lane, and on other highways, motorists must slow down to 30 mph due to potholes and ruined road surfaces.

- Almost half of the Interstate system will need major repairs by 1995, assuming present funding levels are maintained.

- More than 50% of Primary system pavement will reach the end of its design life during the 1980's, a 10-fold increase in deteriorated pavement since 1978.

o Bridges across the country are in truly grim shape.

- The useful design life of a bridge is 50 years, and 75% of our bridges are now over 45 years old.

- Two out of every five bridges are now judged deficient, and one out of five need immediate major rehabilitation.

- The total cost of needed bridge repairs now exceeds $40 billion and is increasing steadily each year.

o Mass transit systems are antiquated and service is declining.

- Older subway systems in our large cities are decaying and service is becoming unreliable, with some subway cars better suited for museums than continued service.

- It would require a one-time funding increase of $6 billion to replace transit buses over 15 years old and to reduce the average age of the Nation's fleet to 7.5 years.

- Unless transit facilities are maintained in safe, reliable operating condition, the economic viability of many large cities may be severely undermined.

o Transportation capital investments cannot be deferred as in some programs. The problems only get worse and the costs increase. For instance, a two or three year deferral of highway resurfacing work requires subsequent total reconstruction at triple the cost, plus inflation.

o The highway system is critical to the health of our economy -- 93 percent of all trips, 75 percent of all freight movements (by value), and 65 percent of all military shipments take place on the highway system.

o The purchasing power of highway user fees has been shrinking because of inflation over the last decade. The basic 4 cents per gallon highway user fee has not changed since 1959, while construction costs have gone up by 300%, making our original fees now worth less than a cent.

- Existing financing sources fall far short of documented needs. All levels of government taken together are spending only half what is needed to keep highways serviceable.

A highway user charge increase of $5 billion per year is necessary to halt accelerating deterioration of our transportation infrastructure. These funds, along with continuing increases in state and local financing, will make it possible to reverse the trend towards deterioration and assure the continued efficiency of our transportation networks.

RELATIONSHIP OF THE PROPOSAL TO THE ADMINISTRATION'S PRINCIPLES OF USER CHARGES AND FEDERALISM

In two recent addresses to the Nation, President Reagan sounded themes which have particular relevance to the transportation funding programs in which the Federal Government is presently involved. First, in his September Address on the Program for Economic Recovery, the President stated his firm belief in user fees, particularly in transportation. He said, "When the Federal Government provides a service directly to a particular industry or to a group of citizens, I believe that those who receive benefits should bear the costs." Second, in his State of the Union Message, the President called for a "New Federalism" and outlined his plan for turning back 43 programs to the states, including several specific Federal transportation programs.

DOT enthusiastically supports New Federalism and believes there is no better area to achieve its objectives than in transportation.

The principles and objectives of New Federalism need not be reiterated here. But the user charge policy and the extent of our efforts to carry it out in the transportation sector deserve discussion. User charges, some of which include fuel taxes similar to those in highways, are the centerpiece of the Administration's plan to restore marketplace incentives for efficient transportation services, as well as to ensure that the costs are paid for by the users and beneficiaries of those programs. Table 1 summarizes the funding impacts of the current Administration proposals for transportation user charge cost recovery. Briefly, these proposals include:

- Recovery of the costs of dredging deep draft harbors and their connecting channels by the Army Corps of Engineers. The Administration's proposals will shift the financial responsibilities to the states and localities and will allow them to recover the costs through user charges levied on the commercial interests that use the ports and channels.

- Recovery of the costs of maintaining the inland waterways and their locks and dams. The Administration has made its intention clear to seek full cost recovery on the inland waterways in this session of Congress by increasing taxes from the fuel tax of six cents per gallon now being collected to a level equivalant to 32 to 38 cents per gallon (to be collected through a ton-mile fee).

- Recovery of the costs of Coast Guard services which can be identified as benefiting special classes of users. Legislation to achieve that end has been prepared by DOT and is going through the clearance process.

- Recovery of the costs of the Federally operated Air Traffic Control System. The Administration has proposed legislation to recover those operating, maintenance, and other costs in part through an escalating increase in aviation fuel taxes of up to 400% and passenger ticket tax increases of more than 60%.

User charges should not be considered as taxes imposed on the general taxpayer. Rather, user charges are paid by individuals according to the extent and character of their use of certain services. Furthermore, the question of whether to increase a user charge should not be constrained by fiscal policy, although programs fully financed by user charges may have positive effects on the budget balance. (See Table 2)

The user charges imposed in the Federal-aid Highway Program are the oldest and best model at the Federal level in transportation of the principle of users paying for services received. Funds flow from user fees directly into the Highway Trust Fund and from the Trust Fund to the states to finance highway and highway-related programs.

The highway program has also been one of the most successful and effective Federal programs, operating with a long tradition of shared Federal-state oversight. This assessment is reflected in the 1981 Heritage Foundation report on the Federal Government, which stated: "The Federal Highway Administration is generally regarded as an agency whose goals are clear and whose management has been generally effective."

The tradition of the present Federal-aid highway program is one in which states are accorded full authority for program decisions and implementation. Virtually all significant investment decisions in the highway program are made by state, not Federal, officials. The FHWA program is not among those programs created in the last 20 years which substituted for or usurped state authority. Instead it has provided support to states and localities for implementing their decisions.

In supporting urban mass transit, the Federal Government has, in recent years, provided both operating and capital assistance. This Administration has proposed legislation to phase out operating assistance but has strongly endorsed continued capital funding.

At the time of the President's announcement of the "New Federalism," the OOT was drafting legislation to put the remaining transit capital assistance programs on a "block grant" basis in order to afford maximum flexibility to states and local governments. The proposal to turn those programs over to the states is a logical extension of DOT's plans and makes good sense.

It is consistent with the user charge philosophy to use one cent from highway related charges for mass transit. If transit is allowed to deteriorate, it will be necessary to provide compensating additional highway capacity. The cost of urban freeway, parking, and even housing facilities would be much greater than the expenditures needed to preserve the mass transit infrastructure. For instance, urban freeway projects such as Westway in New York and Century Freeway in Los Angeles can cost up to $300 million per mile. Further, the resulting inefficiencies and increased cost, in both goods and people movement, would begin to erode private sector productivity gains and dampen the nation's economic recovery.

<u>FINANCING ALTERNATIVES</u>

There are only three possible sources of money to meet these vital needs:

1) GENERAL REVENUES: The pressures on the Federal budget to fund proven highway and transit requirements will continue and increase, and it is utterly unrealistic to expect such money to be provided from general funds.

2) STATE GASOLINE TAXES: Last year alone, more than forty states attempted to raise their gasoline tax to meet their <u>own</u> highway needs, and in more than 50% of the legislatures, these measures were rejected. If states are given even <u>greater</u> program responsibilities, they will simply <u>not</u> be able to raise the necessary funds.

3) INCREASEO FEDERAL HIGHWAY USER CHARGES: An increase in the Federal highway user charge, as described in this proposal, offers the most dependable and realistic source of additional money to meet this national problem.

<u>CONCLUSION</u>

The serious deterioration of the nation's highway and mass transit capital infrastructure must be addressed at every level of government. Interest groups representing highway and transit users, as well as Congress, the States and the national media have recognized that regardless of who is ultimately responsible for the various programs, increased funds are necessary to simply maintain current performance levels on our highway and transit networks.

This highway user charge proposal will greatly benefit the Federalism initiative by reassuring state and local officials that those transportation programs selected for transfer are accompanied by sufficient revenues. Moreover, this initiative will bolster the Administration's user charge principle of one hundred percent recovery of allocable costs in all transportation modes. It will also provide a user based means to fund a critical national need, one that would otherwise result in additional demands on general Federal budget resources.

The Department of Transportation recommends an increase in annual highway user charges sufficient to raise $5 billion to bring current user fees into line with necessary expenditures. Of that amount $1 billion should be dedicated to capital assistance for mass transit.

____________________
RECOMMEND

____________________
NOT RECOMMEND

TABLE 1

Federal Cost Recovery

(Dollars in Millions)

| Program | Current Federal Cost Recovery FY 1982 | | Proposed Cost Recovery | |
|---|---|---|---|---|
| | Dollars | Percent | Dollars | Percent |
| Deep Draft Ports[1] | $ 0 | 0% | $323 | 100% |
| Inland Waters (shallow draft nav.) | 26 | 10 | 280 | 100 |
| Coast Guard[2] | 0 | 0 | 475-600 | 100 |
| Aviation[3] | 1305 | 50 | 2600 | 100 |
| Highways[4] | 7800 | 100 | not avail. | 100 |

1. Additional spending may be financed directly by state and local authorities.

2. Excludes defense, law enforcement and search and rescue in life-endangering situations.

3. Federal cost recovery for FAA programs was about 50% in FY 81. Because of the expiration of statutory authority, no revenues are currently being deposited into the Airport and Airway Trust Fund. In March 1981, the Administration proposed legislation that would reauthorize revenue deposits into the Aviation Trust Fund, change some of the user fees and finance 85% of FAA programs from the Trust Fund. This percentage represents 100% of FAA capital, operating and maintenance and other costs clearly allocable to System users. The New Federalism proposal would return some of these user charges to state and local government for local airport development.

4. The estimated receipts total $7.8 billion in FY 1982. Outlays are estimated at $8.3 billion. Actual cost recovery remains at 100 percent because there currently is a balance in the Highway Trust Fund that is being used to cover cash outlays.

## TABLE 2

### BUDGET EFFECTS OF INCREASED USER CHARGES

The following table summarizes the budget impacts of the DOT proposed increases in user charges compared to current user charges and program levels. These figures represent a conservative statement of the budget benefits, reflecting only the differances between user charge receipts and outloys, as computed in the Federal budgat.

| | FY83 | FY84 | FY85 | FY86 | FY83-86 |
|---|---|---|---|---|---|
| User Charge Increase | 5.5 | 5.4 | 5.3 | 5.2 | 21.4 |
| Outlay Increase | .8 | 2.8 | 3.7 | 4.3 | 11.6 |
| Budget Deficit Reductions | +4.7 | +2.6 | +1.6 | +0.9 | +9.8 |
| HTF Balance* | 12.7 | 14.7 | 15.2 | 14.8 | --- |
| Interest Increase | .2 | .5 | .7 | .8 | 2.2 |

In oddition to receipt/outlay differences, which determine the budget balance, an important secondary budget consideration is the amount of cash ovailable in the Highway Trust Fund (HTF), which reduces federal borrowing needs in the private monay market. HTF interest payments represent intergovernmental transfers not net outlays, thereby providing an important cash flow advantage to the government. Because tha HTF balance is raised under the DOT proposal, $2.2B is ganerated in additional interest over the FY 1983-1986 period. Although such interest transactions are not visible in the federal budget, DOT believes that the imputed value of HTF interest payments must also be considered.

The total budget deficit reduction for FY 1983-86 is nearly $10 billion.

*These figures assume that all revenues would flow into the Highway Trust Fund. The accounting mechanics of the Federalsim Trust Fund are not yet resolved.

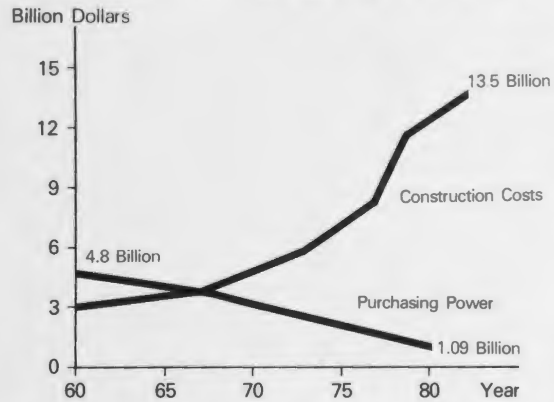
# The Problem

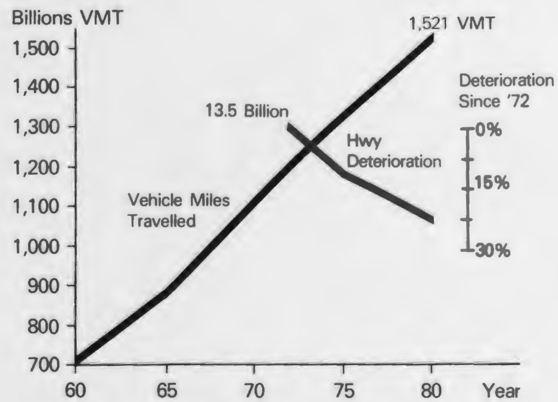
## *Deteriorating Highways*

- 4,000 Miles (10 Percent) of Interstate Need Immediate Repairs (26,000 Miles by 1995)
- $5 Billion Needed for Immediate Repairs—Estimated $33.1 Billion Through 1995
- Estimated $60 Billion Needed Through 1995 to Keep the Primary System at 1978 Condition

## *Obsolete Transit*

- Transit Facilities in Older Cities Such as New York, Philadelphia and Chicago Have Deteriorated Severely
- Cost of Maintaining Existing Transit Systems Over the Next 10 Years Is $40 Billion



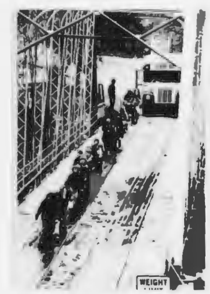




*The 5 Cent Increase in the User Fee Will Cost the Average Motorist $30 Per Year. (Less Than the Cost of One Shock Absorber)*

## *Deficient Bridges On-System*

- 40% of Bridges Are Over 40 Years Old
- 61,209 (25%) Federal-Aid System Bridges Are Deficient
- $24.6 Billion to Replace and Rehabilitate On-System Deficient Bridges

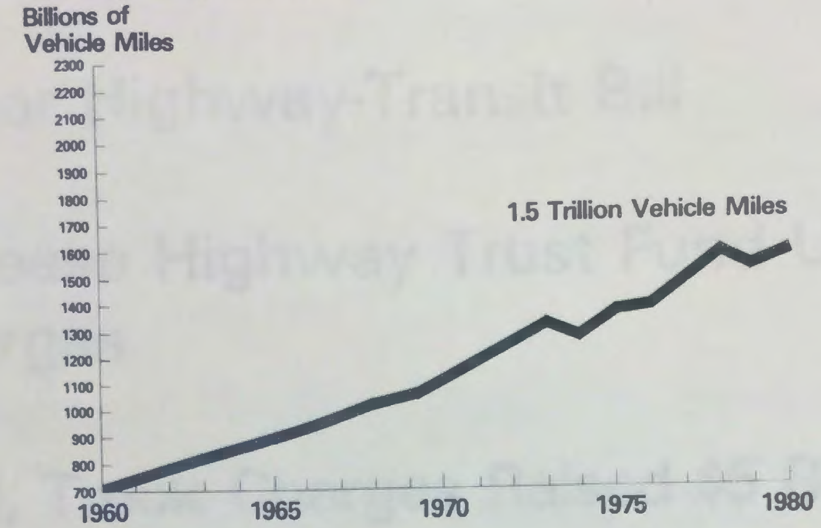
## *Deficient Bridges Off-System*



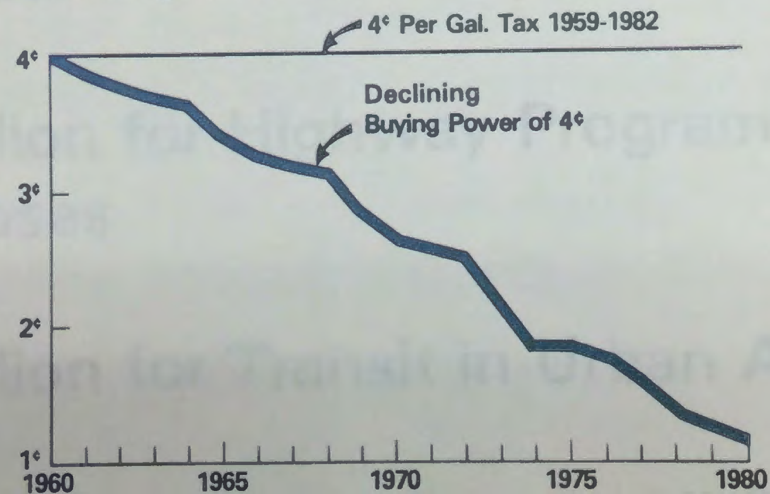
- 1/3 Off-System Bridges (100,000) Are Structurally Deficient
- $23 Billion to Replace or Rehabilitate

# I The Problem:

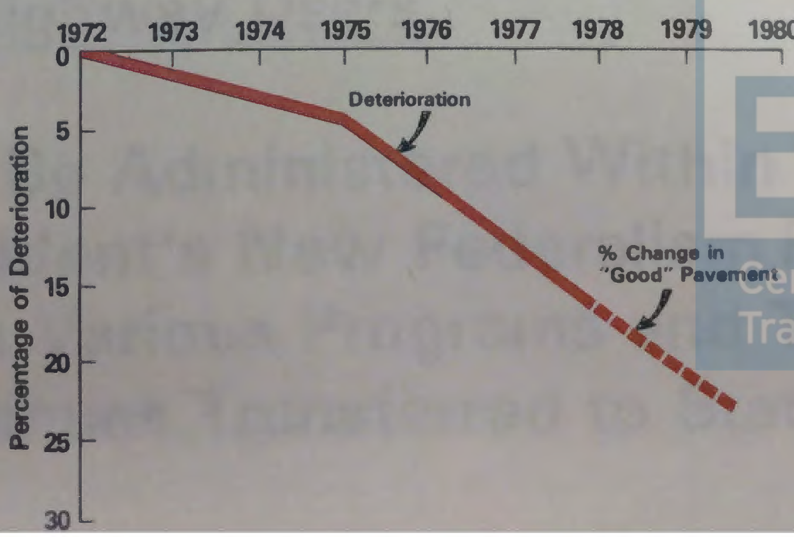
## a. Increasing Demand




## b. Decreasing Revenues




## c. Deteriorating System



# II The Proposal

- 5-Year Highway-Transit Bill
- Increase Highway Trust Fund User Charges
- Fuel, Truck Charges Raised $5 Billion Per Year
- $4 Billion for Highway Program Increases
- $1 Billion for Transit in Urban Areas
- Total Revenue $13 Billion, <u>All Paid by Highway Users</u>
- Can Be Administered Within President's New Federalism Proposal With Various Programs and Their Revenues Transferred to States

# III The Benefits

- Complete Interstate Within 10 Years
- Upgrade, Restore Existing Interstate
- Protect Other Arterial Routes, Urban and Rural
- Rebuild, Replace Deficient Bridges
- Finance Justified Transit Projects
- 160,000 New Jobs Per Year, Including 64,000 Construction Jobs
- Decreases Average Highway Vehicle Operating Costs by 20%
- Reduce Federal Budget Deficit $4 Billion Per Year in 1983, 1984
- Support Expected From
  - — States
  - — Cities
  - — Counties, Rural Interests
  - — Highway Users
  - — Transit Supporters
  - — Construction Industry
  - — Congress
- Enhances Federalism Initiative

OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

March 6, 1983

MEMORANDUM FOR DONALD T. REGAN

FROM: ROGER B. PORTER RBP

SUBJECT: Eighty-first Meeting of the Cabinet Council on Economic Affaris - March 9, 1982

The Cabinet Council on Economic Affairs will hold its eighty-first meeting on Tuesday, March 9, at 8:45 a.m. in the Roosevelt Room. The Vice President, Secretaries Weinberger, Baldrige, Donovan, and Lewis, David Stockman, Murray Weidenbaum, and Ambassador Brock will join you as principals at the meeting. Deputy Secretary Richard Lyng will represent Secretary Block who will be testifying on the Hill.

The Council is scheduled to consider three agenda items — transportation user fees, the sectoral implications of the defense buildup, and a review of the near term future for the U.S. active shipbuilding base.

## Transportation User Fees

The issue of transportation user fees was last considered at the December 22, 1981 meeting of the CCEA. The Council approved recommending that motor fuel taxes be increased by the equivalent of 5 cents per gallon as part of a larger tax increase package that was ultimately rejected by the President.

The issue appears once again on the agenda of the CCEA at the request of Secretary Lewis and the direction of Counsellor Meese.

There is very little to distinguish the proposal that Drew Lewis is advancing this time from the one he put forward in December. In both proposals highway user charges would be increased by about 5 cents per gallon of motor fuel beginning in FY 1983 to raise additional annual revenues of $5 to $6 billion. In both proposals approximately $4 billion of the increase would be used for highways and approximately $1 billion per year would finance capital expenditures for mass transit. Both would allocate the equivalent of 1 cent per gallon of motor fuel to other highway user charges, that is to excise taxes on trucks ( other than pickups and vans).

What is different is the argument Lewis is using to advance the proposal this time around. Basically, he makes three points:

1. That our highway and public transit networks are confronted with serious problems of physical deterioration far beyond the capacity of existing revenue sources;

2. That the proposal is consistent with the President's New Federalism initiatives; and

3. That the proposal is consistent with the administration's policy of assessing user fees whenever the beneficiaries of public services can be identified and charged for the services they consume.

Highway and Transit System Needs.

Among the more impressive data that Lewis will offer to buttress his argument that the nation's highways and transit system is in desperate need of additional revenues are the following:

- More than 4,000 miles, a full 10 percent of the Interstate system, now needs immediate resurfacing or replacement.

- More than 50 percent of the Primary system pavement (which includes major statewide federal-aid highways) will reach the end of its design life during the 1980s, a 10-fold increase in deteriorated pavement since 1978.

- Two out of every five bridges are now deficient, and one out of five need immediate major rehabilitation.

- The total cost of needed bridge repairs now exceeds $40 billion.

- Seventy-five percent of our bridges are now over 45 years old. (The useful design life of a bridge is 50 years.)

- The mass transit systems in the nation's large cities are decaying and service is becoming unreliable.

- $6 billion is needed to replace transit buses over 15 years old and to reduce the average age of the nation's bus fleet to 7.5 years.

- Delay in needed repairs greatly increases costs. A two or three year deferral of highway resurfacing work requires subsequent total reconstruction at triple the cost plus inflation.

- User fees have not been increased since 1959, although costs have risen have risen by 300 percent.

- Without the fee increase the nation's highway system will deteriorate at an accelerating rate, with consequent, deleterious effects for productivity and efficiency.

New Federalism.

Secretary Lewis will argue that the federal highway-aid program is one in which states are accorded full authority for program decisions and implementation, and hence fully consistent with the President's New Federalism proposals.

Moreover, he will argue that the highway user charge proposal is necessary to reassure state and local officials that those transportation programs selected for transfer will be accompanied by sufficient revenues. He is convinced that states will be unable to raise the needed revenues on their own. Last year, for example, more than forty states attempted to raise their gasoline tax to meet their own highway needs, but in more than half of the legislatures, these initiatives failed. As states assume even greater program responsibility under New Federalism, they will be hard-pressed to raise the needed funds. Lewis doesn't believe they can do it.

User Fees.

Secretary Lewis can be expected to make a strong argument that user charges should not be considered as taxes imposed on the general tax payer, but as charges paid by individuals according to the extent and character of their use of certain services, in this case highway and transit services.

He will argue that the user charges imposed in the Federal-aid Highway Program are the oldest and best model at the federal level in transportation of the principle of users paying for services received because funds flow from user fees directly into the Highway Trust Fund and from the fund to the states to finance highway and highway-related programs. He will also argue that this proposal is consistent with the administration's principle of one hundred percent recovery of allocable costs in all transportation modes.

Sectoral Implications of the Defense Buildup

At long last, the Commerce Department is prepared to present its findings on sectoral implications of the defense buildup. Commerce has been working with the Department of Defense in attempting to evaluate possible capacity bottlenecks and supply shortages that could flow from the defense buildup and hence jeopardize the Economic Recovery Program. Defense and Commerce now more or less agree as to the methodology employed in the analysis and the numbers this

82-3965

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

March 9, 1982
8:45 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Weinberger, Donovan, Lewis, Stockman, Brock, Edwards, Weidenbaum, Harper, Porter, Lyng, Wright, Dederick, Johnson, Stanley, Cicconi, Teele, and Barnhart.

1. Shipbuilding Assessment

The Council briefly reviewed a paper, prepared by the Department of Transportation, on "The Near Term Future for the U.S. Active Shipbuilding Base."

Secretary Lewis' presentation focused on the near-term decline in business activity and the serious trouble several individual shipyards face and the impact of the navy shipbuilding program.

The Council's discussion focused on the worldwide decline in shipbuilding and the decisions by several European countries not to increase their subsidies to their declining shipbuilding industries.

Decision

The Council requested the Department of Transportation to continue to monitor the status of the shipbuilding industry and report periodically.

2. Transportation User Fees

The Council reviewed a paper, prepared by the Department of Transportation, on "Highway and Transit Systems: Meeting Unfunded Needs."

Secretary Lewis' presentation reviewed three essential elements of the highway systems' problems: (1) increased demand in terms of vehicle miles driven (now roughly 1.5 trillion annually); (2) the declining revenues in real terms generated by the 4¢ per gallon federal gasoline tax that has existed since 1959; and (3) the deterioration of our highway system as measured by the percentage change in "good" pavement roads.

He then outlined the principal components of the Department of Transportation proposal: a five-year highway-transit bill that would increase highway trust fund user charges and truck charges to generate roughly $5 billion in additional revenues;

dedicating $4 billion of this revenue for highway program increases, and $1 billion for transit in urban areas; and the positive influence this would have on the federal budget because of collecting revenues more rapidly than they would be spent.

Secretary Lewis also outlined what he considers the principal benefits of such a program: completing the interstate highway system within the next 10 years, upgrading and restoring the existing interstate, protecting other arterial urban and rural routes, rebuilding and replacing deficient bridges, financing justified transit projects, generating 160,000 new jobs per year including 64,000 construction jobs, decreasing average highway vehicle operating costs by twenty percent, reducing the federal budget deficit $4 billion per year in 1983 and 1984, and enhancing the President's federalism initiative.

He indicated that his preliminary discussions with interested parties suggested that if proposed, the administration could expect support from state and local officials, the construction industry, and transit supporters. He also reviewed his preliminary discussions with key congressional committee leaders.

The Council's discussion focused on the respective merits of a percentage rather than a flat rate increase in the gasoline excise tax, the congressional reaction to a percentage increase, the relationship of this proposal to the President's economic recovery program, the relationship of this proposal to the President's new federalism initiatives, and to what extent the dedication of funds to urban mass transit is consistent with a user fee approach. There was also considerable discussion about the administration's user fee proposals in three other transportation programs, the prospects of those user fee proposals in the Congress, and the need for further study in how all transportation user fee proposals might be consolidated in a single package.

Decision

The Council approved establishing a working group including representatives from the Departments of Transportation and the Treasury, the Office of Management and Budget, the Office of Policy Development, and the White House Office of Legislative Affairs to undertake a study of the administration's transportation user fee proposals for review by the Cabinet Council on Tuesday, March 23.

DTR

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

MAY 15 1982

MEMORANDUM FOR SECRETARY REGAN

From: Gregory Ballentine
Deputy Assistant Secretary (Tax Analysis)

Subject: DOT Proposal For Increased Highway Excise Taxes

-- The DOT proposal has not changed in any significant way since your last meeting with Drew Lewis.

-- The DOT proposes increases in highway excise taxes to finance additional capital expenditures on highways ($4 billion) and mass transit ($1 billion) and to build up the reserves of the highway trust fund. DOT would increase the gasoline excise tax by 4 cents per gallon and would raise other taxes currently earmarked to the highway trust fund, principally the heavy vehicle use tax, by the equivalent of 1 cent per gallon.

-- The net effect of the DOT proposal is less than that suggested in Table 2 of the document to be used at the Cabinet Council. That table shows deficit reductions of 4.7 (FY '83), 1.9 (FY '84) and 0.9 (FY '85). These figures ignore the income tax offset which is briefly mentioned in a paragraph below Table 2. Including the offset the deficit reductions are 3.2 (FY '82), 0.4 (FY '84) and -0.5 (FY '85). (Stockman is aware of and agrees with our figures.)

-- According to the DOT projections, the highway trust fund balance will be $8.0 billion in FY '83, declining gradually to $5.0 billion in FY '86, even without the proposed tax and spending changes. While current trust fund outlays exceed current receipts, there is no immediate need for a tax increase unless budgetary authorizations are increased. In the long run, the annual deficits in the highway trust fund could be eliminated either by tax increases or by reducing Federal funding of highway and mass transit programs.

-- DOT argues that increased highway excise taxes are consistent with the Administraton's philosophy on user fees and with the goals of the New Federalism. However, these arguments are not fully convincing. The highway excise taxes, though preferable to financing highway trust fund projects from general revenues, are not really user charges in the same sense as postal rates, fees for camping in the national parks, or tolls charged on some highways and bridges. The relative costs imposed on passenger vehicles and different categories of trucks by the various excise taxes allocated to the highway trust fund are not closely related to actual use of Federally-funded highways by individual users or to the relative costs these users impose on the system.

-- In addition, the proposal is not consistent with the objectives of the New Federalism. The New Federalism would ultimately turn back revenue <u>sources</u> to the states allowing them greater scope to choose between levels of taxes on their residents and state and local public services. The DOT proposal would impose higher highway excise taxes on residents of <u>all</u> states and then, through the highway trust fund, redistribute the revenues themselves, rather than the tax bases, to the states for highway and mass transit programs.

THE WHITE HOUSE

WASHINGTON

May 17, 1982

BRIEFING PAPER FOR THE PRESIDENT

MEETING WITH THE CABINET COUNCIL
ON ECONOMIC AFFAIRS

DATE: MAY 18, 1982
TIME: 9:30 A.M. (30 MINUTES)
LOCATION: CABINET ROOM

FROM: CRAIG L. FULLER CLF

I. PURPOSE

This meeting has been scheduled to discuss the proposal from the Department of Transportation to impose a highway user fee.

II. BACKGROUND

The details of the plan are outlined in the attached materials. Action is needed now since the Congress is reviewing legislation that would, if passed and signed, commit us to a transportation program that could not be financed without additional revenues. Secretary Lewis will testify this week with regard to the transportation program and he needs to have a decision with regard to the Highway User Fee concept.

III. PARTICIPANTS

A final list will be attached to the agenda.

IV. PRESS PLAN (White House photographer only)

V. SEQUENCE

Drew Lewis will present the proposal.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

MEMORANDUM FOR: The President

SUBJECT : User Fees to Protect the Nation's Highway and Transit Investments

Twenty-six years ago President Eisenhower launched the Interstate system of highly-efficient, limited-access highways. Today portions of that system are wearing out and need immediate resurfacing. Sixty-five percent of the system -- more than 26,000 miles -- will need extensive work before 1995. At the same time, we must be concerned by the substantial segments of our nation's Primary highway, bridge and public transit systems that will need extensive refurbishing or replacement in the remaining years of this decade and in the 90's.

Unless the work is done as needed, we will be faced not with the modest costs of resurfacing or rehabilitation, but with the much higher costs of replacement and reconstruction.

## The Problem

Ten percent of the Interstate system -- some 4,000 miles -- needs resurfacing now. Fifty percent of the Primary system will reach the end of its design life during the 80's. Forty percent of our bridges are more than 40 years old, and the design life of most bridges is 50 years. A number of the largest metropolitan transit systems are old and decaying. The first section of the New York City subway system, for example, opened in 1904, and many of the subway cars in use there and in other cities belong in museums rather than in public service.

The problem is serious but not insoluble. We have, in place, a series of user fees first established in 1956 which have provided the revenues for the Highway Trust Fund. The primary highway user fee, however -- the four cents per gallon fee on motor fuel -- has not been raised since 1959. Over that 23 year period inflation has reduced the purchasing power of that fee to less than a penny, while construction costs have increased by more than 300 percent. In short, we face a period of growing highway needs at a time of diminishing highway revenues.

I respectfully recommend, therefore, that you approve a legislative proposal to increase highway user fees by the equivalent of five cents per gallon.

My recommendation is the result of months of analysis of conditions on the nation's highways and in our major transit systems. It is responsive to the Federal government's responsibility to protect the public investment in transportation facilities. It is also consistent with your statement of September 23, 1981, during your address to the nation on economic recovery: "When the Federal government provides a service directly to a particular industry or to a group of citizens, I believe that those who receive the benefits should bear the costs."

## Our Proposal

The increase in highway user fees we are proposing is also consistent with other user fee proposals by the Administration, including those for aviation, inland waterways and certain Coast Guard services.

A four-cent increase in the motor fuel user fee would generate $4 billion in new revenues. Another $1 billion would come from the equivalent of a penny a gallon increase in other highway user fees, primarily those paid by heavy trucks. We propose to use about $4 billion to keep our highways in good condition and invest $1 billion in capital improvements to public transit. We believe an allocation for public transit is valid because in many cities an effective system of public transportation serves as an alternative to more costly and land-consuming urban expressways. Those states not having transit needs can elect to apply the funds to highway programs. We find the transit provision important for Congressional support, especially from the House side.

## Advantages

Our proposal offers a number of advantages to the nation, to the preservation of our transportation system, and to the improvement of the economy. The increased funding recommended will:

* Support our economic recovery program by providing an effective transportation network that is crucial to commerce (75 percent of the value of all freight moves by highway; 65 percent of all military shipments; 93 percent of all trips.)

* Be consistent with and, in fact, support New Federalism in that funds will be available to be returned to the states together with the local programs. Without additional funding for highways, the states are unlikely to accept this responsibility.

* Enjoy bi-partisan support from key Congressional leadership and committees as well as a broad coalition of user and interest groups. (Unlike other excise tax or oil import fee proposals.)

* Have a positive impact on the Federal budget, resulting in a total net deficit reduction of about $6 billion over the next two years.

* Be seen as an affirmative step by the Administration, affecting every city and Congressional district and providing 160,000 jobs.

## Negative Reactions

* Increased highway user charges may be viewed by some percentage of the general public purely as a tax increase and not as a user fee necessary to maintain our transportation infrastructure.

* An increase may be opposed by certain highway and trucking interests as violating the intent of the Highway Trust Fund by allowing a portion of the receipts to be used for mass transit capital projects.

* Because of the higher funding levels, this proposal will result in an expansion of Federal spending.

Recommendation

We have the opportunity today to protect our highway and transit systems from the deterioration that impairs efficiency, reduces ridership and may endanger safety, and at the same time avoid the much higher costs that will occur if needed work is repeatedly deferred.

I recommend your approval of our legislative proposal to increase the highway user charges by the equivalent of five cents per gallon. I consider this to be essential if we are to safeguard our nation's highways and transit systems, enhance the economy and meet the basic needs of the traveling public.

This proposal will reaffirm our commitment to the nation's transportation infrastructure, without compromising your budget goals or sacrificing our fiscal objectives. As George Will noted in his recent editorial: "There is not yet an ideological difference between conservatives and liberals regarding potholes. . . . We are all against bridges falling down. . . . a publicly-provided physical infrastructure is not optional; neither is it inexpensive."

Drew

APPROVE ____________

DISAPPROVE ____________

/.

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

May 18, 1982
9:30 a.m.
Cabinet Room

Attendees: The President, the Vice President, Messrs. Regan, Smith, Watt, Donovan, Schwieker, Lewis, Edwards, Meese, Brock, Baker, Stockman, Weidenbaum, Harper, Porter, Lyng, Unger, Ikle, Darman, Duberstein, Fuller, Gergen, Speakes, Williamson, Jenkins, Cribb, Gray, Cicconi, Chapoton, Fowler, and Garrett, and Ms. Dunlop.

1. Transportation User Fees

The Council reviewed a paper prepared by the Department of Transportation on "User Fees to Protect the Nation's Highway and Transit Investments".

Secretary Lewis reviewed the condition of the nation's highway system noting that 4,000 miles or 10 percent of the interstate system needs immediate repairs and that 26,000 miles of that system will require repairs by 1995. He estimated that $5 billion would be needed for immediate repairs and an estimated $33 billion would be needed through 1995. He also noted that the Department of Transportation estimated that $60 billion would be required through 1995 to keep the primary road system in the United States at the condition it was in 1978.

Secretary Lewis also described the serious deterioration of the nation's bridges. Forty percent of the nation's bridges are over 40 years old; over 60,000 Federal Aid System bridges are considered deficient and it will require approximately $25 billion to replace and rehabilitate on-system deficient bridges.

He noted the trend since 1970 of increasing construction costs and the declining purchasing power of the highway trust fund as well as the significant rise in vehicle miles traveled and the deterioration of the highway system during the 1970s. In proposing a 5-cent per gallon increase user fee, he estimated that this would cost the average motorist approximately $30 per year.

He emphasized that this proposal was not a budget balancer but that due to spending lags it would have a near-term positive benefit for the budget. He also noted that this

Cabinet Council on Economic Affairs
Minutes
May 18, 1982
Page Two

proposal needed to be intergrated with any other energy tax proposals the administration might make. He noted that the Department of Transportation proposal was consistent with the President's federalism objectives, with the administration's philosophy on user fees, and that it enjoyed considerable Congressional support and the support of several outside groups. He briefly reviewed the transportation user fees that the administration had already proposed for the Coast Guard, the Federal Aviation Administration, and for inland waterways noting that this proposal would simply become part of that larger package.

The discussion focused on the need to address the geniune long-term problems facing the nation's highway system, the relationship of this proposal to the current budget negotiations the administration is engaged in with the Congress, the magnitude of the near-term effect on the deficit, the adequacy of the highway trust fund to meet immediate needs, and the need to examine carefully the respective responsibilities of the federal government and state and local governments in providing for the nation's highways.

The Council also discussed the portion of the receipts from the user fee that would provide for local mass transit, the impact of the proposal on the deficit for the years 1983 through 1986, and the impact of the program on jobs.

Decision

The President decided that the administration would not support, at this time, an increase in highway user fees. He directed that the Department of Transportation proposal be reviewed this fall in conjunction with developing the Administration 1983 legislative program and FY 1984 budget. He indicated that this review should include consideration of the appropriate role of the federal government and state and local governments in providing funding for the nation's road system.

CM #
215

THE WHITE HOUSE
WASHINGTON

Stockman: Postpone until regular budget session for FY84

1. Timing
2. State/local reliance on Fed for Mass Transit
3. No favorable impact on deficit
4. What is Fed resp v. State/Local resp
5. Increase Share of GNP

Murray Weidenbaum

1. Tax increase
2. Increase in Fed spending
3. Alt = Fed handle Interstate Prog, leave other roads + bridges to State/local Gov'ts

THE WHITE HOUSE
WASHINGTON

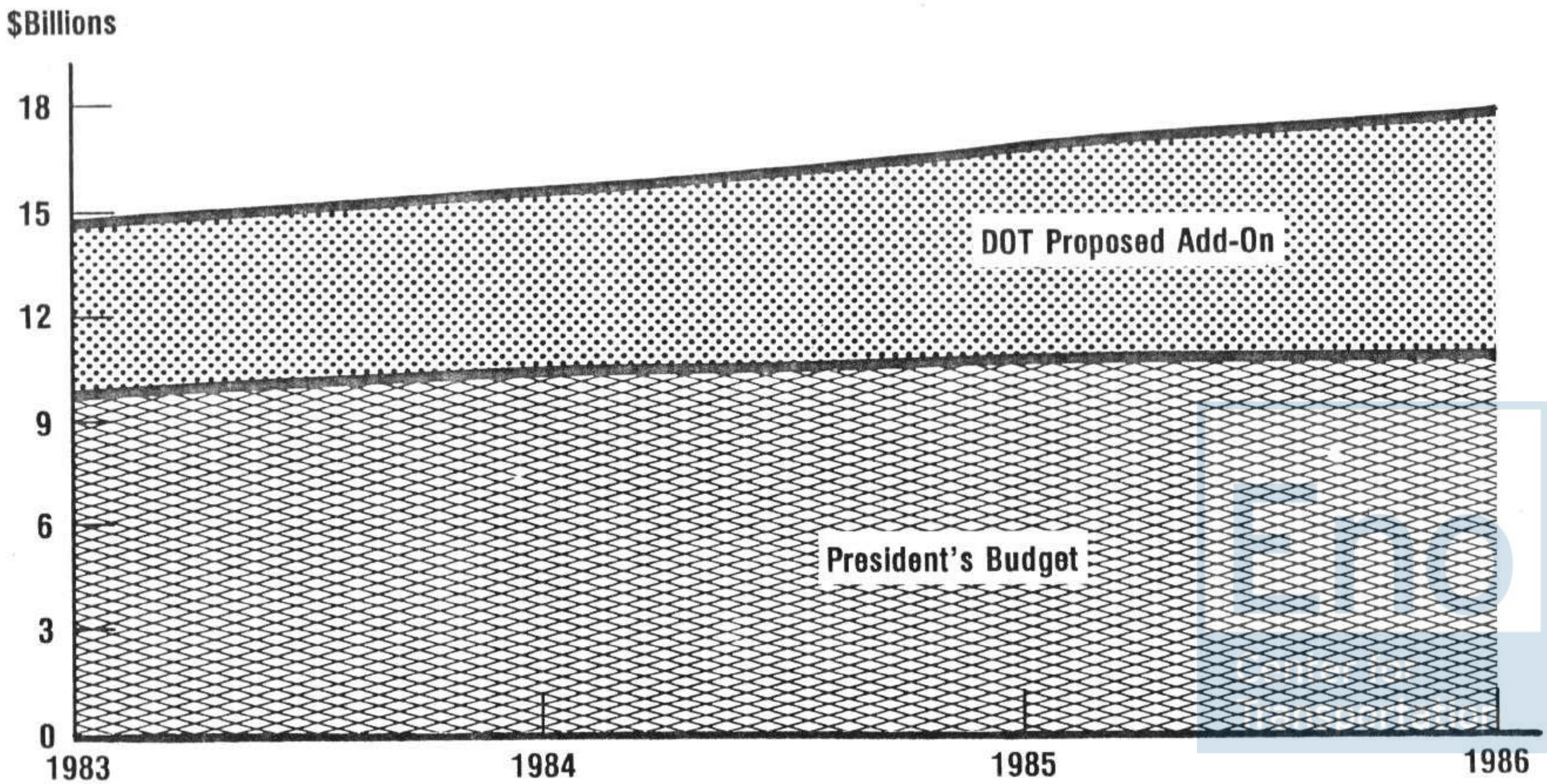
ELH

Gen Tax, not user fee

# PROPOSED TRANSPORTATION SPENDING INCREASE

($ in Billions)

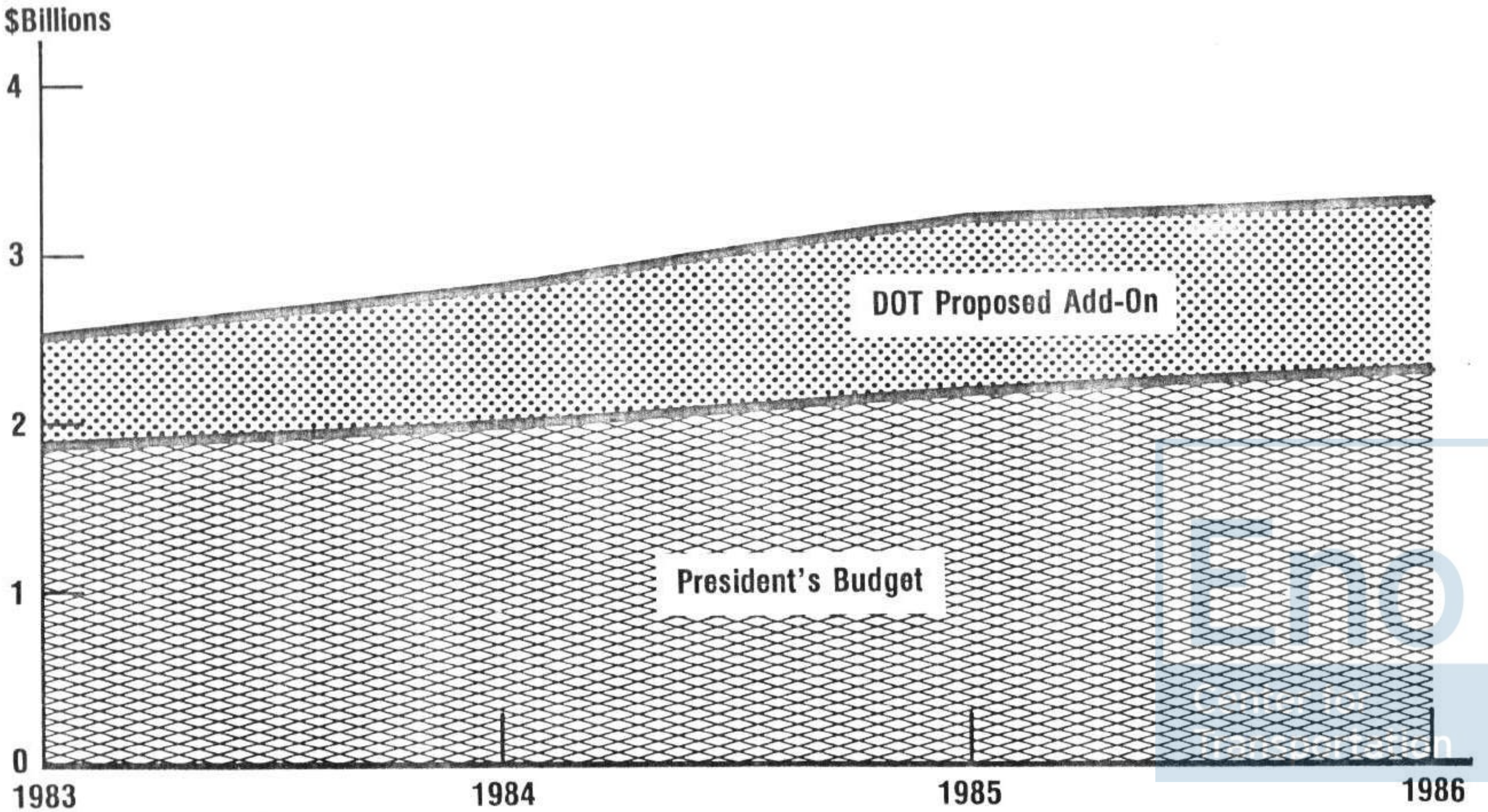
| | 1983 | 1984 | 1985 | 1986 | Total |
|---|---|---|---|---|---|
| DOT ADD-ON | 5.0 | 5.2 | 6.2 | 7.1 | 23.5 |



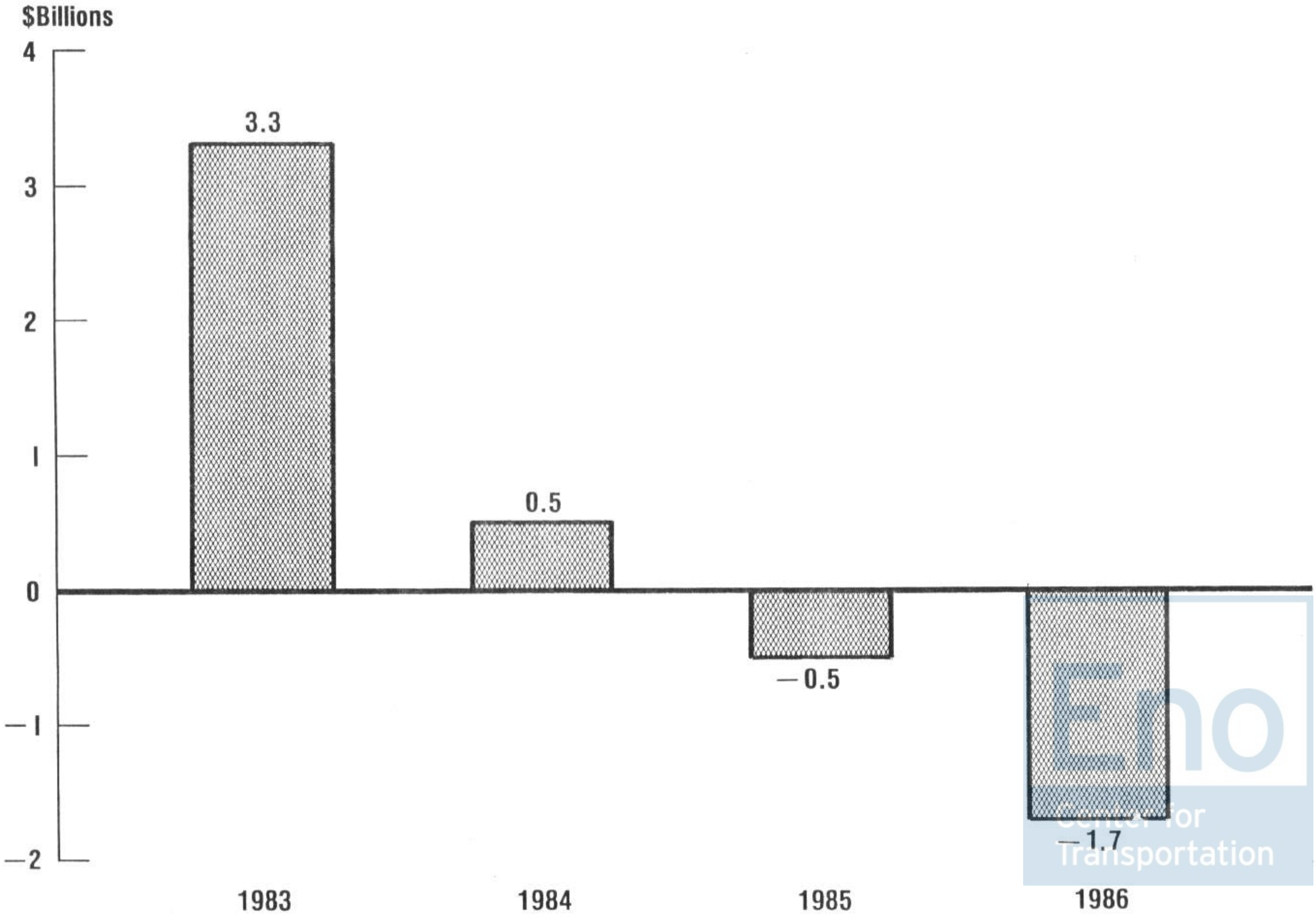
## PROPOSED LOCAL MASS TRANSIT INCREASE

($ in millions)

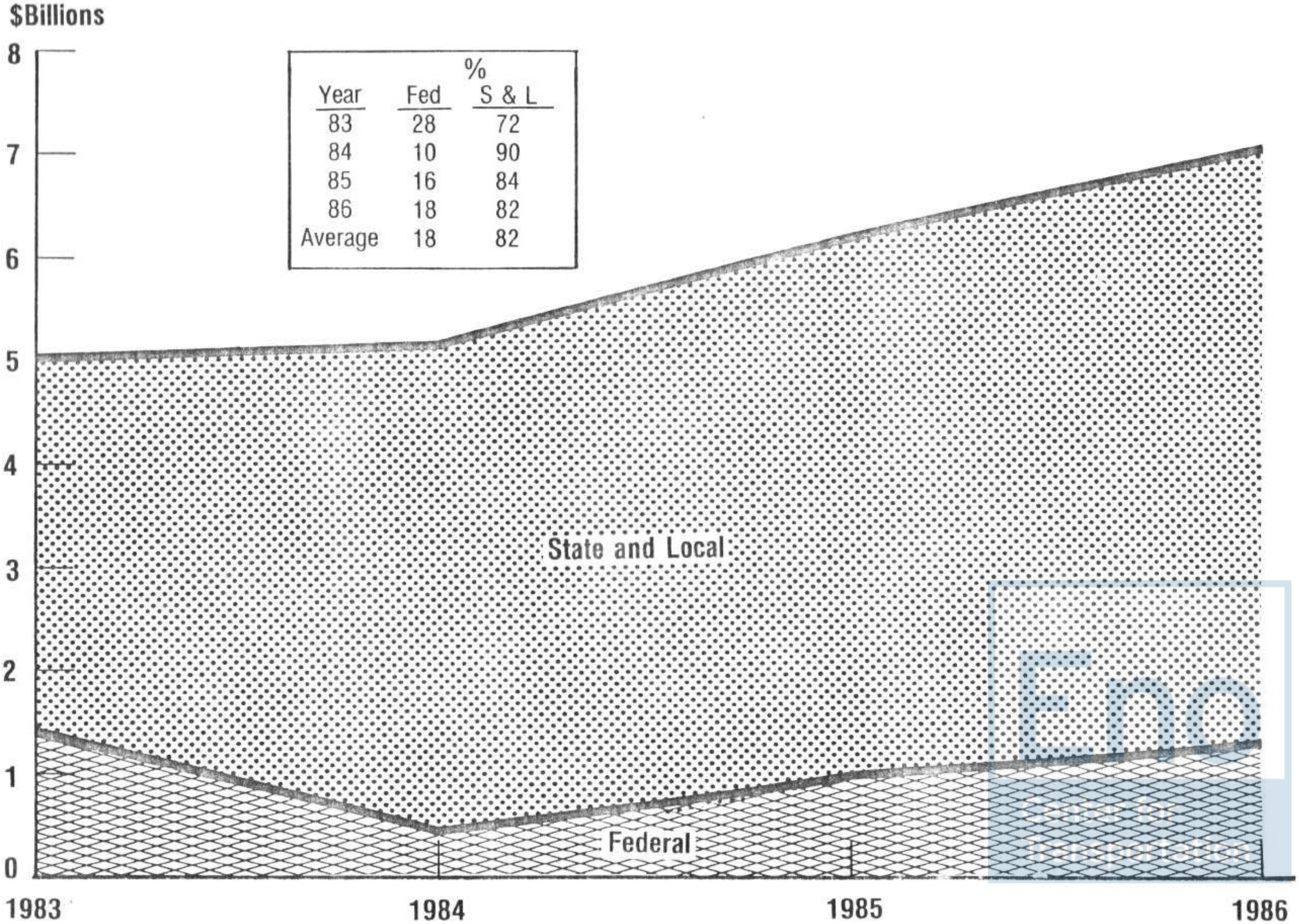
| | 1983 | 1984 | 1985 | 1986 | Total |
|---|---|---|---|---|---|
| DOT Add-on | 600 | 800 | 1,000 | 1,000 | 3,400 |



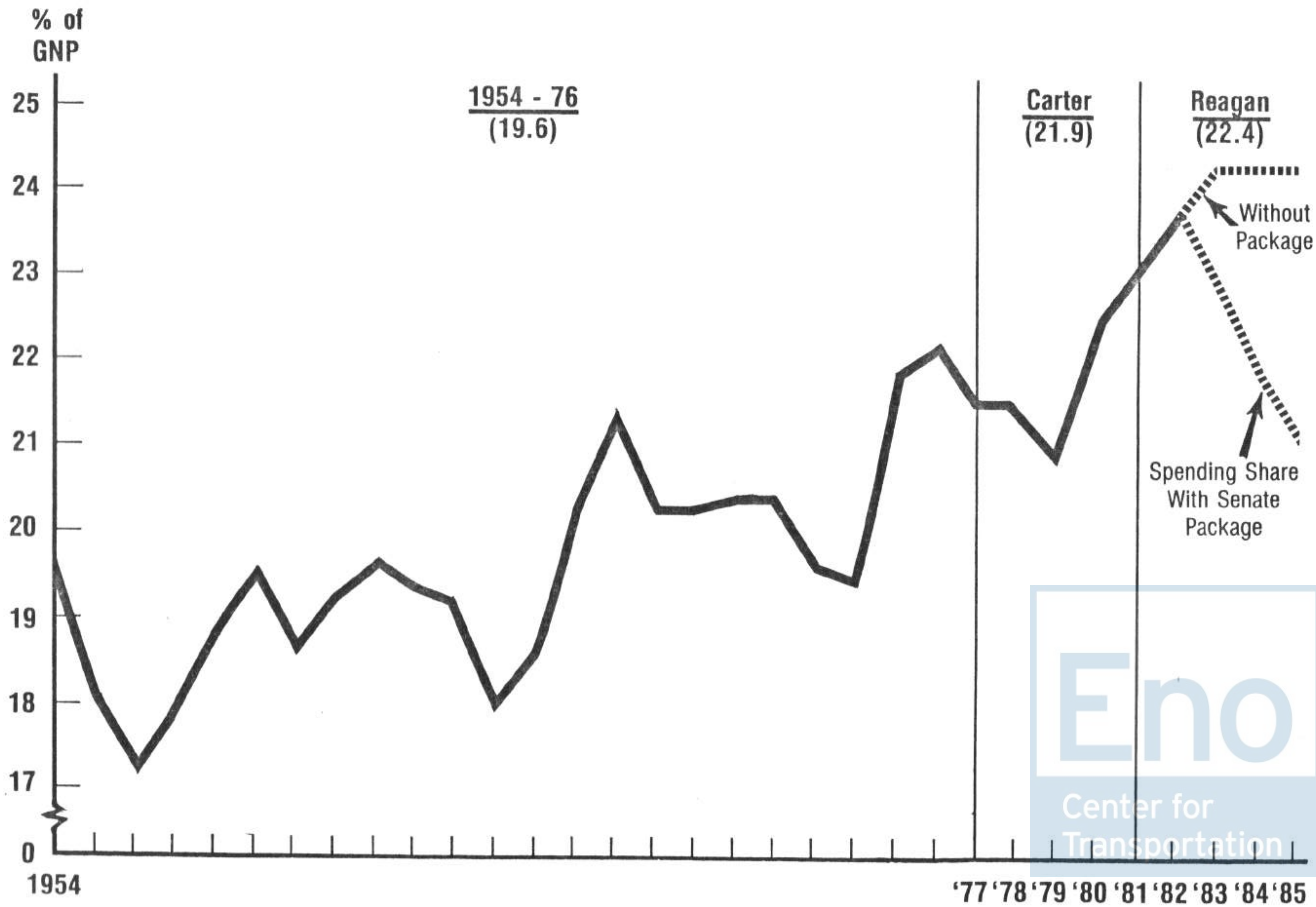
## IMPACT ON DEFICIT
($ in billions)



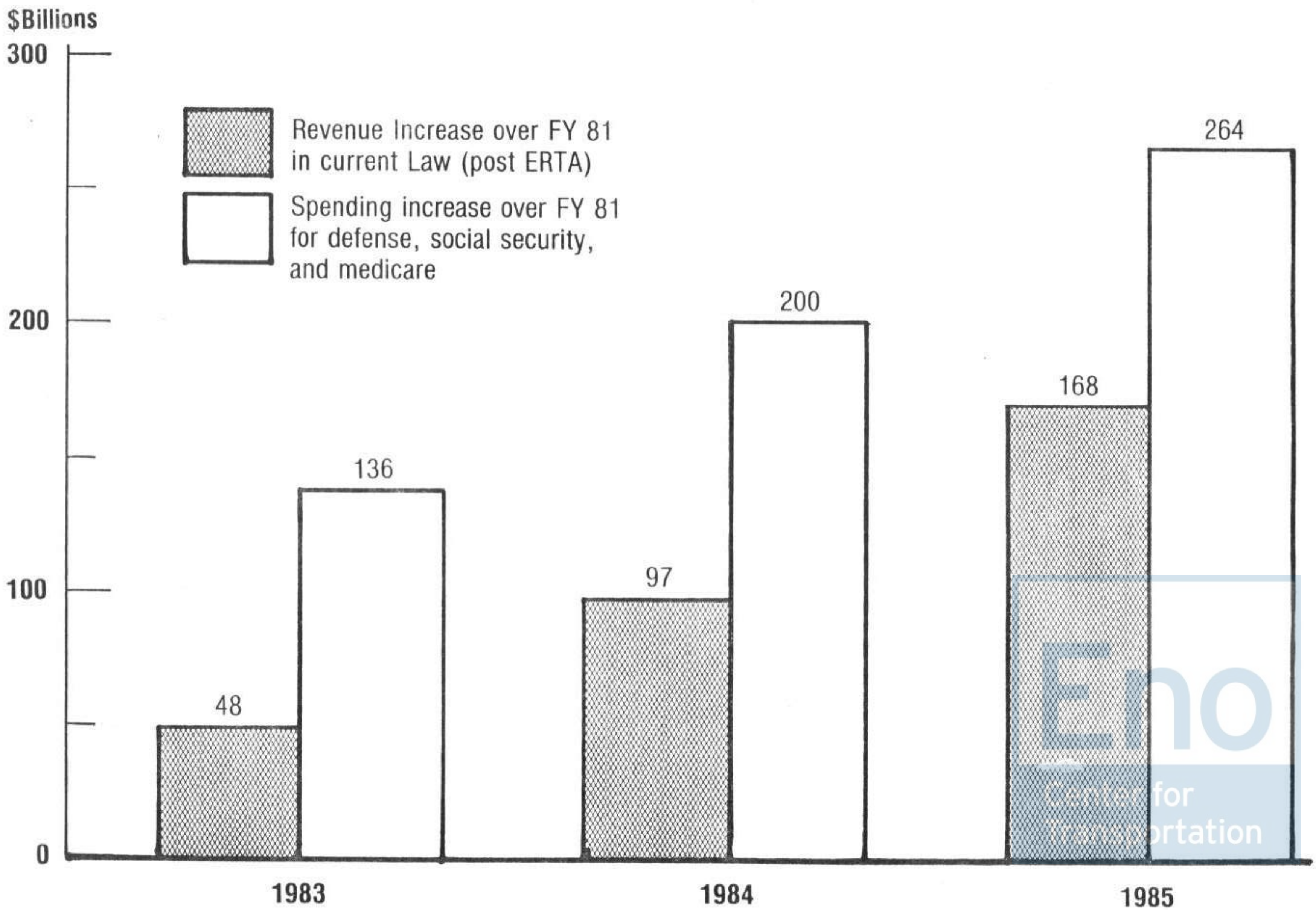
## SPLIT OF PROPOSED ADD-ON: FEDERAL INTEREST VS STATE AND LOCAL RESPONSIBILITY



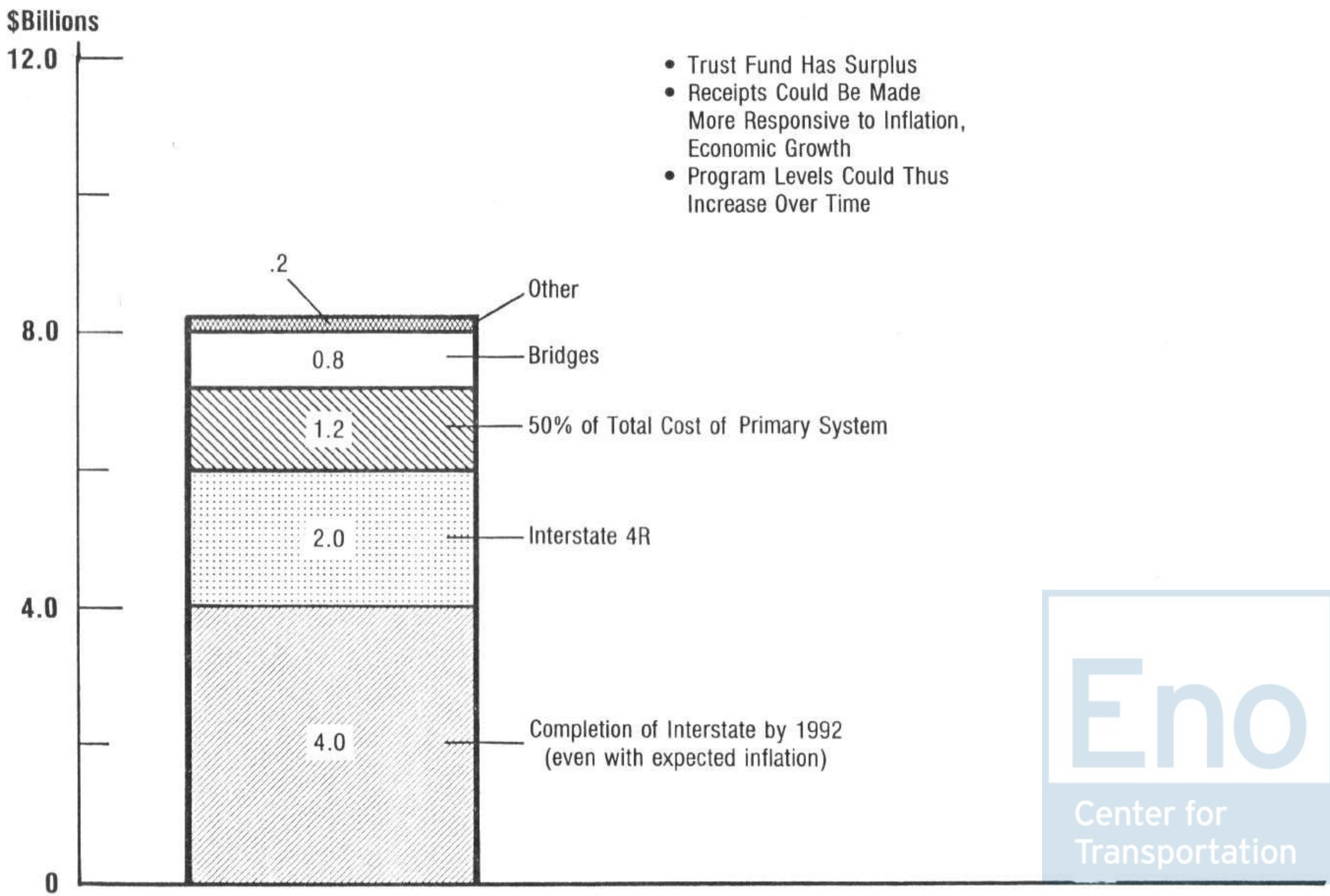
## REDUCING FEDERAL SHARE OF GNP INCOMPATIBLE WITH MAJOR NEW DOMESTIC SPENDING INITIATIVES



## NEW REVENUE NEEDED TO FUND EXISTING COMMITMENTS NOT NEW SPENDING PROGRAMS



# RECEIPTS FROM CURRENT TAXES WILL FUND AN APPROPRIATE FEDERAL PROGRAM



# AN $8.2 BILLION PROGRAM

- $4.0 Billion for Interstate Construction—completion by 1992, even with inflation
- 2.0 Billion for Interstate 4R - adequate if "4th R" not assumed to be covered
- 1.2 Billion for the primary system - 50% of total costs
- 0.8 Billion for bridges:
  - of the $47.6 billion "needed" for bridges, $23.0 billion is for off-system bridges, $6.7 billion for secondary, and $5.4 billion double-counts with Interstate,and primary needs, leaving a maximum of $12.5 billion in "need" that is an appropriate Federal responsibility.
  - $0.8 billion more than adequate to replace or repair these bridges by the year 2000
- 0.2 Billion other

$8.2 Billion

C.F.
068963CS
FG010-02

THE WHITE HOUSE
WASHINGTON

files

May 19, 1982

NOTE FOR DICK -

THIS DECISION WAS PULLED FROM THE PRESIDENT'S BRIEFING PACKAGE.

J

On hold til Bdgt. next cycle RW

Cabinet Council on Economic Affairs Meeting, May 18, 1982, 9:30 am

Copy to Pam

For John Salmon per DR

**The Secretary of Transportation**

Washington, D.C. 20590



MAY 20 1982

The Honorable Dan Rostenkowski
House of Representatives
Washington, D.C. 20515

Dear Dan:

As you know, the President yesterday decided to postpone consideration of the Department's highway user fee proposal until the 1984 fiscal year budget cycle. He emphasized that our priority at this point is to resolve our overall budget problems for this year. The President acknowledged the need for addressing the transportation infrastructure's problems but felt that we should postpone it until the budget situation is resolved.

I wanted to let you know how much I appreciate the support that you have given to the Department's proposal. I think we have made real progress this year addressing the issue and identifying a solution to our highway and mass transit needs. I fully support the President's judgement to wait until a later date to work on implementing that long-term solution to the problem.

I know that raising the user charges for our nation's highways is not an easy action to take for Members of Congress and I admire your willingness to look at our proposal and your courage in offering your support. Thank you for all your help and advice. I am hopeful we will be able to discuss the idea again in the near future.

Sincerely,

Drew

With your help, we'll be back!

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20506

June 21, 1982

Per
FYI
For D.

MEMORANDUM FOR MURRAY L. WEIDENBAUM

FROM: ERIC I. HEMEL EIH

SUBJECT: Senate Finance Committee
List of Options for Raising Revenues

The attached materials, prepared by CEA staff, analyzes the 25 options for raising revenues that the Republican members of the Senate Finance Committee presented as a list of possibilities earlier this month. Ten of the 25 items appeared in the Administration's FY 1983 budget, although sometimes in a different form.

The Republican panel members divided the proposals into three categories -- those they viewed with: (1) minimum objections, (2) moderate objections, and (3) strong objections.

Among the 14 items which the Finance Committee Republicans viewed with "minimal objections," at least three of the proposals are likely to prove particularly controversial:

- Repealing the deduction for state and local sales and personal property taxes.

- Increasing the floor under medical and casualty loss deductions to 5 percent of income, and repealing the separate deduction for $150 of health insurance premiums.

- Limiting the deduction for nonbusiness, non-mortgage interest.

The 14 options to which the members had "minimal objection" would raise $12.8 billion in revenues in FY 83, the same amount as the Administration's February proposals, and $26.9 billion and $28.8 billion in FY 84 and FY 85 respectively. These proposals are not sufficient to reach the targets for additional revenues approved by the House/Senate budget conferees last Friday.

Among the options to which the Finance Committee members view with "moderate objections," three of the proposals have particularly good economic justifications, but face strong political opposition:

- o Revising the investment tax credit to reduce or eliminate the negative tax rates on new investments.
- o Eliminating the liberalization in ACRS scheduled for 1985 and 1986.
- o Limiting the tax exclusion of employer contributions for health insurance.

The proposals which the Finance Committee Republicans viewed with "strong objections" all have the attraction of raising substantial amounts of revenue, although several clearly violate administration policy:

- o Modifying the "safe-harbor" leasing provisions in the 1981 tax act.
- o Imposing a much tighter minimum tax on corporations.
- o Imposing new energy taxes or tax increases.
- o Modifying the third year of the personal income tax cut.

Attachment

POSSIBILITIES FOR RAISING REVENUE
Republican Finance Committee Members, June 1

OPTIONS WITH MINIMAL OBJECTION
(* indicates Administration proposal;
** - similar to Administration proposal)

Revenue Effects

| | | | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|
| | | | (fiscal years, billions of dollars) | | |
| * | 1. | Accelerate corporate income tax payments | 1.4 | 1.7 | 0.9 |
| * | 2. | Extend Medicare tax to Federal employees | 0.6 | 0.8 | 0.9 |
| ** | 3. | Improve tax compliance | 4.3 | 5.8 | 7.0 |
| | 4. | Pension tax reform | 0.5 | 1.0 | 1.0 |
| ** | 5. | Restrict modified coinsurance | 1.5 | 1.7 | 2.0 |
| | 6. | Eliminate state and local sales and personal property tax deductions | 0.9 | 5.8 | 6.4 |
| | 7. | Modify deductions for medical expenses, casualty losses, and health insurance premiums | 0.4 | 2.2 | 2.5 |
| | 8. | Limit the deduction for non-business, nonmortgage interest | 0.4 | 2.8 | 3.0 |
| | 9. | Raise the Federal unemployment tax base | 0.7 | 1.5 | 1.3 |
| * | 10. | Modify tax treatment of original issue discount bonds | 0.1 | 0.3 | 0.4 |
| * | 11. | Raise airport and airway taxes | 1.2 | 1.4 | 1.5 |
| | 12. | Repeal dividend reinvestment exclusion | 0.1 | 0.4 | 0.4 |
| | 13. | Impose luxury taxes | 0.2 | 0.5 | 0.5 |
| * | 14. | Construction period interest and taxes | 0.5 | 1.0 | 1.0 |
| | | TOTAL | $12.8 | $26.9 | $28.8 |

| OPTIONS WITH MODERATE OBJECTION | | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| 15. | Tighten foreign tax credit | 0.2 | 0.5 | 0.6 |
| 16. | Revise the investment tax credit: | | | |
| | (a) Exclude credit from basis | 0.4 | 1.3 | 2.5 |
| | (b) Reduce credit to 7% | 2.3 | 5.6 | 7.1 |
| 17. | Tighten accelerated depreciation rules for 1985 and 1986 | --- | --- | 1.7 |
| 18. | Limit tax exclusion for employer-paid health insurance | --- | 2.0 | 5.3 |
| 19. | Increase taxes on cigarettes, alcohol, and telephones | 4.0 | 6.3 | 6.8 |
| * 20. | Completed contract method of accounting | 1.2 | 3.0 | 3.1 |
| * 21. | Industrial development bonds | 0.2 | 0.3 | 1.1 |

| OPTIONS WITH STRONG OBJECTION | | | | |
|---|---|---|---|---|
| 22. | Modify safe-harbor leasing | | | |
| ** 23. | Minimum tax | 2.3 | 4.8 | 4.5 |
| 24. | Increase energy taxes | | | |
| | (a) Gasoline (5¢ per gal.) | 3.0 | 4.2 | 4.1 |
| | (b) Imported Oil ($5 per bbl.) | 7.4 | 10.4 | 10.0 |
| | (c) All Oil ($2 per bbl.) | 5.0 | 8.4 | 8.4 |
| | (d) All Energy (5% of value) | 6.9 | 11.9 | 13.7 |
| 25. | Modify third year of the tax cut: | | | |
| | (a) Repeal 1983 cut | 7.2 | 32.4 | 34.9 |
| | (b) Delay 1983 cut to 1/1/84 | 7.2 | 7.1 | --- |
| | (c) Repeal 1983 cut and advance indexing to 7/1/83 | 4.3 | 13.5 | 11.9 |

SOURCE: Daily Tax Reports for June 11 and 16, 1982. Revenue effects reported from the Senate Finance and Joint Tax Committees.

## 11. Raise Airport and Airway Taxes

Proposal:

To raise the general aviation gas tax from the current 4 cents a gallon to 12 cents in 1982, with further annual increases until it reaches 20 cents in 1986; to raise the tax on passenger tickets from the current 5 percent to 8 percent; and to impose other aviation taxes.

Background:

The Administration included this proposal in its budget for FY 1983. The Ways and Means Committee proposed a similar bill which would generally impose slightly lower taxes.

## 24. Increase Excise Taxes on Energy

Proposal:

To raise excise taxes on energy. This could be achieved through: (1) an increase in the gasoline tax; (2) an oil import fee; (3) a tax on all oil, both imported and domestic; or (4) a tax on the importation or production of all forms of energy.

Background:

At present, the major Federal excise tax on energy is a 4-cent a gallon excise tax on gasoline, with the revenues deposited in a Highway Trust Fund. The Department of Transportation advocates increasing this tax to finance maintenance and improvements of the nation's highways.

Arguments For:

- Any of these taxes would reduce the consumption of energy and would tend to reduce U.S. dependence on imported oil, thus enhancing national security.
- An increase in the gasoline excise tax would be easy to administer.
- An oil import fee would allow domestic producers to raise their prices and would encourage domestic exploration for and production of energy, reducing our dependence on foreign oil.
- Because different forms of energy can often substitute for one another, a broad-based energy tax would spread the burden more evenly across all forms of energy.

Arguments Against:

- To raise a given amount of revenue, a tax on gasoline alone would have to be quite high, with more disruptive effects, than would a broader-based tax.
- Any tax on energy consumption would prove inflationary.
- Broad-based energy taxes pose difficult administrative problems.

- Energy taxes are viewed as regressive, although actual distribution of the burden is unclear.

- The narrower-based energy taxes would have uneven regional impacts, with an oil import fee receiving most opposition from the Northeast and gasoline taxes from the West.

22 J 1982

Decision/Making/Information ®

Intelligent alternatives
for today's decision makers

1050 Seventeenth Street N.W., Suite 1100, Washington, D.C. 20036, (202) 822-9010

M E M O R A N D U M

TO: Edwin Meese, James Baker and Michael Deaver

FROM: Richard B. Wirthlin

DATE: June 22, 1982

SUBJECT: The Public's Attitudes toward Eleven Potential Tax Increases

Our half sample (N=739) reflects broad differences of support for eleven proposed changes to increase federal tax revenues. (See following table.) The most strongly supported tax change: "Requiring all corporations that make a profit to pay a minimum corporate tax." The most strongly opposed tax change: "Imposing a tax on oil that would raise the price of gasoline by about eight cents."

Be careful about the "Safe Harbor" revision. I am uncertain whether the description that was applied ---"Repealing the present law that lets one company sell tax benefits it cannot use to another company which can take these benefits to reduce its taxes."---cast the issue properly. I believe the abuses of the Safe Harbor tax provisions can very clearly be applied against us politically.

We need to discuss the implications of our tax policies in depth and soon.

No one likes to have their taxes increased; however, with the prospect of a $100 billion dollar deficit next year, and perhaps larger deficits in the future, taxes may have to be increased in order to raise more revenue. I'm going to read you a list of tax options that have been proposed, and I'd like you to rate each one on a scale where a minus 5 means you strongly oppose that plan, while a plus 5 means you strongly favor the plan. A zero therefore means that you neither favor nor oppose the plan, but are neutral about it. Of course, you may use any number between minus 5 and plus 5 to indicate how much you personally favor or oppose each proposed tax increase.

| | Average Response | Support Ratio |
|---|---|---|
| Requiring all corporations that make a profit to pay a minimum corporate tax. | +2.41 | 5:1* |
| Raising the tax on a pack of cigarettes by 8 cents. | +2.36 | 4:1 |
| Doubling the present tax on alcoholic beverages. | +2.08 | 3:1 |
| Limiting the tax deductions companies get when they pay for employee health insurance | +0.22 | 1:1 |
| Increasing the enforcement of the present tax laws by hiring more IRS agents to see that taxes owed to the government are actually paid. | -0.33 | 1:1 |
| Imposing a national sales tax of 1% on all items purchased in the United States. | -0.35 | 1:2 |
| Eliminating the 10% federal income tax cut that is scheduled to take effect on July 1, 1983. | -0.44 | 1:2 |
| Repealing the deductions given on federal income taxes for payment of state sales taxes. | -0.98 | 1:3 |
| Repealing the present law that lets one company sell tax benefits it cannot use to another company who can take these benefits to reduce its taxes. | -1.34 | 1:3 |
| Imposing a tax on oil that would raise the price of gasoline by 5 cents a gallon at the pump. | -1.80 | 1:6 |
| Imposing a windfall profits tax on deregulated natural gas that would raise the cost of natural gas to the consumer by 10%. | -2.79 | 1:10 |
| Imposing a tax on oil that would raise the price of gasoline by about 8 cents a gallon. | -2.82 | 1:10** |

*This ratio should be interpreted as: For every 5 persons who strongly favor (+5) this policy, there is 1 person who strongly opposes (-5) this same policy.

**This ratio should be interpreted as: For every 1 person who strongly favors this policy, there are 10 people who strongly oppose this same policy.

Memo to JAB
from KMD

KMD

On your tax package list, prepared by Treasury this a.m., delete personal property and (2) delete gas tax. Add individual minimum tax (1), IDB reform, (3) targetted job tax credit and (4) merger/acquisition reform. Some of the figures, including leasing, have been refined.

Bottom line – Revenue increase FY83 21.5
" " 83-85 98.9

* 0 revenue in 83, .2b in 84, .4b in 85.
This provision was included, according to Dennis, <u>without our blessing</u>

Listing has been "tentatively" agreed upon by Republican members on Finance except for locking in or the definition of the leasing modifications.

Mark-up to begin tomorrow (Thursday) morning. Long will offer a Democratic package to include an energy (BTU) tax and delay of 3rd year, etc..

| | | | | |
|---|---|---|---|---|
| Airports ✓ | 1.2 | 1.4 | 1.5 | |
| ITC basis ✓ | .7 | 1.3 | 2.5 | |
| 85/86 ACRS ✓ | -- | -- | 1.7 | |
| Accel corp. ✓ | .8 | 1.1 | 1.2 | |
| Pensions ✓ | .2 | .8 | .9 | |
| Mfd/Cos. ✓ | .3 | 3.0 | 3.2 | |
| OID ✓ | .2 | .3 | .5 | |
| FUTA ✓ | 1.4 | 2.3 | 3.0 | |
| Medicine ✓ | .6 | .8 | .9 | |
| Dole/Grassley ✓ | 4.3 | 5.8 | 7.0 | |
| Telephone - 2% ✓ | .3 | .5 | 1.0 | |
| Withholding ✓ | 4.2 | 3.2 | 3.4 | |
| Sec 936 ✓ | .4 | .9 | 1.0 | |
| Foreign oil ✓ | .2 | .5 | .6 | |
| Cigarette tax ✓ | 1.2 | 1.8 | 1.8 | |
| Min tax-Corp. ✓ | .9 | 1.9 | 1.8 | |
| Const. Int + Tax ✓ | .5 | 1.0 | 1.0 | |
| Leasing ✓ | lm 1.6 | 2.6 | 3.4 | |
| Medco ✓ | 1.6 | 1.7 | 2.0 | |
| Dividend Re-Inv ✓ | .1 | .4 | .4 | |
| Completed Contract ✓ | .9 | 2.5 | 3.0 | |
| ~~Personal property~~ | .1 | .6 | .6 | |
| individual minimum tax | 0 | .2 | .4 | |
| | 21.7 | 34.4 | 42.4 | = 98.5 |
| IOB reform / Targeted job tax credit | 21.5 | | | 98.8 |
| Gasoline at 5¢ | 3.0 | 4.2 | 4.1 | |
| mergers & acquisition reform | 24.7 | 38.6 | 46.5 | = 109.8 |
| Targets | 20.9 | 36.0 | 41.4 | = 98.3 |
| Excess | 3.8 | 2.6 | 5.1 | |

Aug. Fcm Sub

## HIGHWAYS
($ millions)

### Contract Authority

| Program | Actual FY 82 | HR 6211 FY 83 | Committee Amendment FY 83 |
|---|---|---|---|
| Interstate | $3,225 | $4,000 | $3,525 |
| Interstate 4R | 800 | 2,100 | 900 |
| Primary | 1,500 | 2,000 | 1,575 |
| Bridges | 900 | 1,500 | 1,250 |
| Secondary | 400 | 600 | 425 |
| Urban | 800 | 800 | 800 |
| Emergency Relief | (100) | (100) | (100) |
| Forest Highways | 33 | 33 | 33 |
| Public lands Hwys | 16 | 16 | 16 |
| Hazard Elimination | 200 | 200 | 200 |
| RR-Xings | 190 | 190 | 190 |
| Redwood Bypass | --- | (55) | (55) |
| Demo projects | --- | 52 | 144 |
| Economic growth hwys | 50 | --- | 29 |
| Great River Road | 25 | --- | 19 |
| | $8,239 | $11,646 | $9,261 |

### Simple Authorizations

| | | | |
|---|---|---|---|
| Forest Roads & Trails | 140 | --- | --- |
| Public lands Roads | 10 | --- | --- |
| Park Roads | 30 | --- | --- |
| Parkways | 45 | --- | --- |
| Indian Roads | 83 | 83 | 83 |
| Territorial Highways | 12 | 12 | 12 |
| Great River Road | 10 | --- | --- |
| Outdoor Advertising | 30 | --- | --- |
| Safer Off System | 200 | --- | --- |
| Access Highways | 15 | --- | 15 |
| RR Demos | 100 | --- | 100 |
| Bicycle Projects | 20 | --- | --- |
| | $ 695 | $ 95 | $ 210 |
| Total Highways | $8,934 | $11,741 | $9,471 |

# HIGHWAY SAFETY
($ millions)

## Contract Authority

| Program | Actual FY 82 | HR 6211 FY 83 | Committee Amendment FY 83 |
|---|---|---|---|
| NHTSA-402 | 100 | (100) | (100) |
| FHWA-402 | 10 | (10) | (10) |
| School bus training | 2.5 | (1.5) | (1.5) |
| Safety Education | --- | 16 | 16 |
| Drunk Driving | --- | 25 | 25 |
| | $112.5 | $152.5 | $152.5 |
| 402 Recission | --- | - 9.6 | - 9.6 |
| | $112.5 | $142.9 | $142.9 |

## Simple Authorizations

| Program | Actual FY 82 | HR 6211 FY 83 | Committee Amendment FY 83 |
|---|---|---|---|
| NHTSA-403 | 31 | (31) | (31) |
| FHWA-403 | 10 | (10) | (10) |
| Driver register | --- | 3 | 3 |
| | $41 | $44 | $44 |
| Total Safety | $153.5 | $186.9 | $186.9 |

# MASS TRANSIT
($ millions)

| Program | Actual FY 82 BA | HR 6211 FY 83 | | Committee Amendment FY 83 | |
|---|---|---|---|---|---|
| Section 3 Capital | $1,449 | $ 928 | | $ 786 | |
| Bus Tier | | 1,409 | | 1,195 | |
| Rail Tier | | 796 | | 675 | |
| Bus incentives | 1,365 | 181 | 2,701 | 153 | 2,290 |
| Rail incentives | | 72 | | 61 | |
| Below 200,000 | | 243 | | 206 | |
| Hold harmless | --- | --- | | 20 | |
| Small urban & rural | 68.5 | 82 | | 69 | |
| Admin, R&D | 75.5 | 74 | | 90 | |
| University Centers | --- | 10 | | 10 | |
| Intercity bus subsidy | --- | --- | | --- | |
| Bus terminals | --- | --- | | --- | |
| Waterborne Recission | - 2 | --- | | --- | |
| Interstate Transfers | 538 | 365* | | 365* | |
| | $3,494 | $4,160 | | $3,630 | |
| GRAND TOTALS | $12,540 | $16,088 | | $13,288 | |

*Open-ended authorization; House budget authority level included for purposes of comparison.

## TABLE 5.-ESTIMATED FEDERAL-AID AND STATE MATCHING FUNDS TO COMPLETE THE APPORTIONMENT FACTORS FOR DISTRIBUTION OF FISCAL YEAR 1984 AUTHORIZATIONS



...ed from Table 5 of Committee Print 97-28 to reflect: (1) corrections to the cost to complete in Arizona and Virginia; (2) adjustments to unobligated apportionments resulting from changes in discretionary allocations; (3) withdrawal under 23 U.S.C. 103(e)(4) of Interstate Routes in Virginia and the District of Columbia; (4) inclusion of costs for certain parking facilities related to high occupancy vehicle lanes; and (5) additional work in Michigan)

| STATE | Estimated Federal-aid and State matching funds required to complete system (thousands) | Estimated Federal share of funds required to complete system (thousands) | Apportionment factors (percent) |
|---|---|---|---|
| ALABAMA | 885,389 | 796,850 | 2.681 |
| ALASKA | --- | --- | --- |
| ARIZONA | 466,219 | 439,691 | 1.479 |
| ARKANSAS | 72,285 | 65,057 | 0.219 |
| CALIFORNIA | 3,585,884 | 3,281,801 | 11.040 |
| COLORADO | 560,259 | 510,004 | 1.716 |
| CONNECTICUT | 1,034,259 | 930,833 | 3.131 |
| DELAWARE | --- | --- | --- |
| DIST. OF COLUMBIA | 254,648 | 229,183 | 0.771 |
| FLORIDA | 1,748,525 | 1,573,673 | 5.294 |
| GEORGIA | 1,471,619 | 1,324,457 | 4.456 |
| HAWAII | 657,941 | 592,147 | 1.992 |
| IDAHO | 136,208 | 125,720 | 0.423 |
| ILLINOIS | 437,176 | 393,458 | 1.324 |
| INDIANA | 106,288 | 95,659 | 0.322 |
| IOWA | 153,198 | 137,878 | 0.464 |
| KANSAS | 255,993 | 230,394 | 0.775 |
| KENTUCKY | 880,214 | 792,193 | 2.665 |
| LOUISIANA | 1,565,053 | 1,408,548 | 4.739 |
| MAINE | 52,531 | 47,278 | 0.159 |
| MARYLAND | 2,219,398 | 1,997,458 | 6.720 |
| MASSACHUSETTS | 986,095 | 887,486 | 2.985 |
| MICHIGAN | 546,768 | 492,091 | 1.655 |
| MINNESOTA | 611,097 | 549,987 | 1.850 |
| MISSISSIPPI | 141,865 | 127,679 | 0.430 |
| MISSOURI | 298,083 | 268,275 | 0.902 |
| MONTANA | 157,854 | 143,979 | 0.484 |
| NEBRASKA | --- | --- | --- |
| NEVADA | 152,581 | 144,952 | 0.488 |
| NEW HAMPSHIRE | 93,708 | 84,337 | 0.284 |
| NEW JERSEY | 985,240 | 886,716 | 2.983 |
| NEW MEXICO | 98,835 | 91,412 | 0.308 |
| NEW YORK | 1,642,548 | 1,478,293 | 4.973 |
| NORTH CAROLINA | 497,577 | 447,819 | 1.506 |
| NORTH DAKOTA | --- | --- | --- |
| OHIO | 541,075 | 486,968 | 1.638 |
| OKLAHOMA | 280,900 | 252,810 | 0.850 |
| OREGON | 349,961 | 322,734 | 1.086 |
| PENNSYLVANIA | 1,653,507 | 1,488,156 | 5.006 |
| RHODE ISLAND | 628,207 | 565,386 | 1.902 |
| SOUTH CAROLINA | 490,771 | 441,694 | 1.486 |
| SOUTH DAKOTA | 14,488 | 13,197 | 0.044 |
| TENNESSEE | 387,373 | 348,636 | 1.173 |
| TEXAS | 1,717,286 | 1,545,557 | 5.200 |
| UTAH | 426,364 | 401,507 | 1.351 |
| VERMONT | 10,363 | 9,327 | 0.031 |
| VIRGINIA | 1,188,005 | 1,069,205 | 3.597 |
| WASHINGTON | 1,419,246 | 1,286,405 | 4.328 |
| WEST VIRGINIA | 763,446 | 687,101 | 2.312 |
| WISCONSIN | 193,146 | 173,831 | 0.585 |
| WYOMING | 61,907 | 57,301 | 0.193 |
| TOTAL | 32,881,383 | 29,725,123 | 100.000 |

possible bankruptcy. This is tantamount to a Federal guarantee.

We already have provided, as part of the recently passed tax bill, generous transitional rules that permit one or two airline carriers to use the old safe harbor leasing rules rather than the new restrictive ones. We should not further expand this unfair advantage by way of an amendment to the technical corrections bill.

Further, it is my understanding that this amendment would allow assets which have had the benefit of investment credit treatment to be sold to a foreign person for use in a foreign country and continue to have that tax advantage. This, I think, is uncharted territory and deserves an extensive review.

While it had been my intent to object to the consideration of H.R. 6056 on the basis of this amendment, I now place this statement in the RECORD so that Members might know of the unfair nature of that provision.●

## REQUEST FOR CONSIDERATION OF H.R. 3197, AUTHORIZING APPROPRIATIONS FOR CERTAIN HIGHWAY CONSTRUCTION

Mr. HOWARD. Mr. Speaker, I call up the bill (H.R. 3197) to authorize appropriations for the construction of certain highways in accordance with title 23 of the United States Code, to amend the Highway Safety Act of 1966, to authorize appropriations, and for other purposes, and ask unanimous consent for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

Mr. ROSTENKOWSKI. Mr. Speaker, reserving the right to object, I would ask the gentleman from New Jersey to explain the bill.

Mr. HOWARD. Mr. Speaker, will the gentleman yield?

Mr. ROSTENKOWSKI. I yield to the gentleman from New Jersey.

Mr. HOWARD. Mr. Speaker, the measure which we bring before the House today is the result of enormous effort and determination on the part of the Committee on Public Works and Transportation to keep at least a minimal highway program going.

Starting early in this session, we moved a major, 4-year highway, safety and transit bill consistent with the needs of the country, but which would have required a revenue increase that failed to materialize.

Then we moved with a scaled-down, 1-year bill that still contained a number of policy changes and other provisions which we thought worthwhile, and also provided authorizations for transit as well as highways and safety. Delays not of our making have made it no longer possible to pursue that measure at this late date—partly because no public transportation bill has emerged from the Senate and partly because of differences between the two Houses on highway legislation.

Now we are down to the wire on the closing day of the regular session, and incidentally the date by which the Federal Highway Administration has told us that some 30 States are out of money for a number of our basic programs. For this reason, we offer the House what is the final opportunity to keep the highway program going without disastrous disruption.

Despite the hour, this measure does have the virtue of having been worked out in advance with the Senate Commerce Committee on Environment and Public Works, which is prepared to accept it as is in lieu of S. 2474 which was passed on the Senate floor today. It can pass and pass today. I particularly want to offer some assurances to Members who might be concerned over the fact that this compromise package, which was only agreed to earlier today, has not been available for examination.

It is well within the budget totals assigned to highway direct spending by the budget resolution; in fact, our committee is well within its direct spending authority for all programs. Policy changes contained in both H.R. 6211 and H.R. 6965 have been held to a minimum.

The bill authorizes $8.865 billion in contract authority from the Highway Trust Fund, of which the bulk goes for the basic Federal-aid programs: Interstate construction, $3.3 billion; interstate 4-R, $1 billion; primary highways, $1.5 billion; bridges, $1 billion; secondary highways, $400 million, and urban highways, $800 million. These represent either increases over existing law or continuation at existing levels.

The remainder of contract authority programs are generally at current levels or somewhat reduced. The same is generally true of appropriated programs for which appropriations are required, whose direct spending authority is allocated to the Committee on Appropriations.

Also contained in this package, which we are bringing up for consideration under unanimous consent, is a basic 1-year extension of the Highway Trust Fund which is needed to continue the authorized programs for 1 year. Essentially an extension of existing law, it does contain language to provide iron-clad assurance—if any be needed—that authorizations in the future cannot exceed the ability of the trust fund to finance without threat of insolvency.

The Byrd amendment in existing law provides as absolute assurance against the trust fund's being oversubscribed, and it has not been invoked in more than 20 years. It certainly would not be triggered by this measure before the House, or any measure which the Committee on Public Works and Transportation intends to bring to the floor in the future.

However, to provide additional assurance to anyone with concerns over this matter, our language also provides that a point of order may lie against floor consideration of any authorization measure which, if enacted, would trigger the Byrd amendment.

Mr. Speaker, this bill represents a compromise: A compromise with budget considerations, a compromise with the Senate, a compromise with those who claim the trust fund needs greater protection, and a compromise with the clock.

I do not ask that it be enacted for the sake of the committee, or in deference to our labors on surface transportation this year. I ask that it be enacted in the interest of the country, the people, the communities, and the industries served by the highway system in this country—a system that is in trouble.

I would like to lend my support and make clarifications on several projects which have been mentioned by several colleagues on this side of the aisle and the other.

Congressman JOHN BREAUX has a project in this legislation which could clear up a severe problem at the intersection of College Drive and Interstate 10 in East Baton Rouge, La. I agree with my colleague that this project should be given expeditious consideration.

In section 116(b), there is a project intended to demonstrate the latest state-of-the-art highway technology. It is stated in this section, among other criteria, that this project should close a gap of not more than 10 miles and connect both highway construction using current technology and older completed highway construction. I agree with my colleague, Mr. SHUSTER, of Pennsylvania, that this project should be given priority consideration and that a segment of route 220 from East Freedom, Pa. south to the Blair County/Bedford County line qualifies for all the specific criteria in this section and shall be eligible for this demonstration project and shall be funded.

In regard to discretionary bridges, I would like to make reference to those bridges mentioned by the committee in House Report 97-555. I agree with my colleagues that these bridges should be given priority consideration.

I also want to make it clear that the committee intends that the relevant legislative history in House Report 97-

555, including sections 105, 107, 118, 120, 127, 133, and 137, concerning special concerns and priorities apply to the appropriate provisions in our 1-year substitute.

I also want to note that the committee will be publishing a revised table of priority primary routes. This table will include the state of Franklin Road in the vicinity of Johnson City, Tenn. This matter was brought to our attention by the distinguished gentleman from Tennessee, JAMES QUILLEN, and I am most pleased that we have been able to take care of this important matter.

I would wholeheartedly agree with my colleague from California, Mr. CLAUSEN, that the Russian River Bridge near Cloverdale, Calif., receive priority funding under the discretionary bridge program and priority consideration should be warranted as referenced in section 122(b).

In addition, I would agree with ROBERT MICHEL, the distinguished minority leader, that the Franklin Street Bridge in Peoria, Ill., should be given priority in the allocation of discretionary bridge funds. The Franklin Street Bridge is in serious need of replacement because it is a narrow two-lane bridge serving 12,000 vehicles daily and has been closed frequently for repairs.

Congressman TRENT LOTT has also expressed his concern about two critical projects in Mississippi. I agree with Mr. LOTT that the Fort Bayou Bridge and the Moss Point-Escatawpa Bridge qualify under the discretionary bridge program and should be given priority consideration. The Fort Bayou Bridge would need $10.3 million and the Moss Point-Escatawpa Bridge would need $27 million.

This bill omits the provision contained in section 133 of H.R. 6965 requiring an investigation by the Comptroller General into competitive bidding practices with respect to highway and mass transit construction in this country. Our sole reason for dropping this provision is that it has proven to be unnecessary. This is because, since the time our highway legislation was first developed this past spring, the study has been requested and is now under way.

The deletion has been discussed by both the House and Senate sides with full agreement that, whether initiated by statute or otherwise, this investigation is urgently needed, has the support of both the House and Senate committees, and should be completed expeditiously.

The purpose of the language in section 108, dealing with resurfacing standards under section 109 of title 23, United States Code, is to assure that enhancement of highway safety result from the carrying out of any project for the resurfacing, restoring, or rehabilitation of any highway. The intent of this provision, morever, is to provide some flexibility to the States in the degree of safety improvement which reasonably can be required in the circumstances of a given project. It is explicitly not the intent of the committee, for example, that new construction standards necessarily be applied in every case.

During the discussions which led to the negotiation of this bill by both House and Senate committees, it was agreed that this would be the case.

One final point on this provision: it is further the intent of both sides that adequate opportunity for public participation be provided as standards mandated under this provision are developed to the point of approval by the Congress.

Congressman JACK BRINKLEY has been instrumental in calling to the committee's attention, the 13th Street viaduct bridge in Columbus, Ga. The bridge is a vital link in an east-west transportation corridor which facilitates the movement of interstate and intracity traffic. Replacement of the bridge is essential for two reasons. The bridge is in a state of disrepair resulting from 57 years of service. If the bridge were to be declared unsafe and placed out of service, the disruption to traffic flow and the progress of commerce would be severe. Second, the existing viaduct no longer meets the necessary traffic capacity standards. Traffic volume presently exceeds 20,000 vehicles per day. The Columbus-Phenix City transportation study calls for additional reliance on the 13th Street corridor for east-west traffic movement. A multilane replacement of the existing viaduct is imperative to provide necessary traffic capacity. The existing 13th Street viaduct bridge has a sufficiency rating under 50 and an estimated replacement cost of $13.8 million. The committee believes it should receive priority consideration under the discretionary bridge program.

Similarly, the Green Bridge in Manatee County, Fla., qualifies under the discretionary bridge program. It has a sufficiency rating of 26.7, and will cost $16.1 million to replace. It is structurally deficient, functionally obsolete, and yet vitally important to surface transportation in the county. The Green Bridge should receive priority consideration when discretionary bridge funds are distributed. The committee wishes to thank Congressman IRELAND for his tireless efforts on behalf of this project.

Chairman ANDERSON and Congressman SHAW have expressed a great concern over the availability of section 402 funding for safety projects related to motorcycle, bicycle, and pedestrian safety. It should be made quite clear that the States may apply for such funds. We are concerned, though, that the States may be laboring under the false impression that these programs are not eligible for funding despite the fact that they have proven successful and effective, and are certainly eligible for funding under requirements set forth in the Code of Federal Regulations.

Congressman GEORGE MILLER has worked hard to make this committee and the Federal Highway Administration aware of funding problems associated with the 24/I-680 interchange in California. The committee believes that the Federal Highway Administration should review its earlier decision to drop funding from this project as eligible under the interstate construction program, and are sympathetic to presentations made by Mr. MILLER that this project is eligible.

Mr. Speaker, I have also discussed with Mr. ANDERSON, Mr. SHUSTER, and Mr. CLAUSEN a number of other projects and policy concerns of other Members which Mr. SHUSTER has agreed to cover on his time. I want the record to show I concur with my colleagues from California and Pennsylvania concerning the intent of the committee and wish to state we are in agreement.

Mr. HOWARD. Mr. Speaker, the measure we intend to bring to the House at this time is a 1-year highway bill so that we can keep a minimal highway program going. It would require only a 1-year extension of the highway trust fund.

I understand the chairman of the Ways and Means Committee is going to object.

Mr. ROSTENKOWSKI. Further reserving the right to object, I would like to inquire of the gentleman from New Jersey whether or not the tax provisions as reported by the Ways and Means Committee are attached to the bill the gentleman is presently offering. Are his tax provisions the same provisions that were approved by the Ways and Means Committee or are they different?

Mr. HOWARD. If the gentleman means the exemption of the taxicab from it, I believe that they are not. It is a 1-year extension of the trust fund, a straight 1-year extension of the trust fund with an added provision that would make it not in order for either the House or the Senate Public Works Committee to bring to the floor of the House a highway bill which would trigger the Byrd amendment, meaning having obligations which could not be met by the funds coming to the trust.

Mr. ROSTENKOWSKI. If the gentleman will answer my question, is the text of the Ways and Means Committee bill included in the provisions offered by the gentleman?

Mr. HOWARD. The answer is no.

Mr. ROSTENKOWSKI. Mr. Speaker, I had hoped to offer the text of H.R. 7092, as reported by the Committee on Ways and Means, as a revenue title to the legislation of the House Committee on Public Works and Transportation (H.R. 6211 and its substitute, H.R. 6965) which provides highway authorizations for fiscal year 1983.

Under present law, the transfer of highway excise tax revenues to and expenditure authority from the highway trust fund expire after September 30, 1984. The highway excise taxes are scheduled to be reduced or expire after that date. H.R. 7092 would provide a 1-year extension through September 30, 1985, of the highway trust fund and its related excise taxes.

This extension would have permitted the full amount of the fiscal year 1983 trust fund authorizations proposed by the Committee on Public Works and Transportation to be apportioned without triggering the present Byrd amendment. The Byrd amendment was included in the 1956 Highway Revenue Act to insure that the highway trust fund could not operate in a deficit position. This provision requires that, if the trust fund balance plus projected revenues are insufficient to fund existing unpaid authorizations plus the authorizations for the fiscal year in question, apportionments out of the trust fund must be proportionately reduced. Specifically, the current trust fund balance plus estimated revenues for fiscal years 1983 and 1984 are insufficient to cover the outstanding authorizations of $19 billion plus the new authorizations of $9.5 billion in the Public Works Committee's bill. Thus, H.R. 7092 would provide an additional year's revenues—those from fiscal year 1985—in order to fully fund the fiscal year 1983 authorizations.

H.R. 7092 also would transfer the highway trust fund provisions into the trust fund code of the Internal Revenue Code. Presently, the highway trust fund provisions are uncodified and may be found only in a note to section 120 of title 23 of the United States Code. Last year, the Committee on Ways and Means established a trust fund code in the Internal Revenue Code and began transferring the provisions of trust funds within the committee's jurisdiction into this code. Two funds, the black lung disability trust fund and the airport and airway trust fund, have already been transferred.

In transferring the highway trust fund provisions, certain modernizing and conforming changes would have been made—none of which was intended to have substantive effect. For example, the trust fund code provisions in the Internal Revenue Code contain general provisions applicable to all funds on transfers of revenues, required reports and fund investment policies. Therefore, separate provisions for each trust fund are not necessary.

Further, in transferring the highway trust fund provisions that govern expenditures from the fund, certain conforming and updating changes would be made. The present language has not been changed in many years, and still refers to the Federal-Aid Road Act of 1916 and the administrative expenses of the Bureau of Public Roads. The committee's bill would revise this provision to delete these archaic references.

Finally, the bill would provide that expenditures may be made out of the trust fund for all existing authorizations and for those authorizations approved by the Committee on Public Works in the present bill, H.R. 6965. This approach conforms to that presently used in the other trust funds, including the airport and airway trust fund, whereby the Committee on Ways and Means must make a conforming, updating change to the trust fund expenditure provisions when new authorization bills are approved by the Committee on Public Works and Transportation.

Let me emphasize that no substantive change to the legislative jurisdiction of the Committee on Ways and Means or the Committee on Public Works and Transportation would be made or is intended. The Committee on Public Works and Transportation has, and would fully retain, the ability to authorize spending out of the highway trust fund for specified purposes and for specific sums. The Committee on Ways and Means has and would retain the ability to review the overall authorizations so that conforming changes to the trust fund provisions and any adjustments to the trust fund taxes could be made as are necessary to insure the trust fund's continued solvency. Clearly, if authorization levels were significantly increased by the Committee on Public Works and Transportation, it would be the responsibility of the Committee on Ways and Means to raise highway taxes or extend the present taxes for longer periods of time. Clearly, if new authorizations from the trust fund were approved by the Committee on Public Works and Transportation to expand its purposes beyond Federal-aid highways, such as for mass transit operating purposes, the Committee on Ways and Means should review this decision and consider the trust fund ramifications of such a change. Simply stated, the Committee on Ways and Means has no jurisdiction over or interest in specific aspects of highway authorizations reported by the Public Works Committee. We do need to review the overall package to insure that trust fund revenues are sufficient to cover the authorizations and that the broad purposes of the authorizations are consistent with the purposes for which the trust fund was established or has been extended to cover.

Finally, H.R. 7092, would extend for 2 years the present exemption from the fuels excise taxes for fuel used by certain taxicabs, the present expiration date of December 31, 1982, would be extended through December 31, 1984. The committee has not had an opportunity to examine this issue and accordingly agreed to a limited extension. The committee expects to consider this matter next year during a comprehensive review of the highway trust fund.

Since the gentleman's unanimous-consent request does not include the carefully crafted language unanimously developed by our committee, I am unfortunately constrained to object at this time to his request to consider the full year highway bill. I understand the gentleman will bring up a shorter term bill for which there are highway trust fund moneys still available. I hope he proceeds with that effort and that we can resolve the longer term issue when Congress returns on November 29. We share a common goal for continuing the highway program, particularly for refurbishing what needs to be done, but we must proceed not only with a commitment to the authorizations that this work requires but also with a willingness to support the taxes that are necessary to pay for this most important work.

Mr. Speaker, I object.

The SPEAKER pro tempore. Objection is heard.

## FEDERAL-AID HIGHWAY ACT OF 1982

Mr. HOWARD. Mr. Speaker, I call up the Senate bill (S. 2574) to authorize appropriations for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes, and ask unanimous consent for its immediate consideration in the House.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

Mr. ROSTENKOWSKI. Mr. Speaker, reserving the right to object, I do this really, wondering whether or not there are any excise tax provisions in the present legislation the gentleman is offering.

Mr. HOWARD. Mr. Speaker, will the gentleman yield?

Mr. ROSTENKOWSKI. I yield to the gentleman from New Jersey.

Mr. HOWARD. In the legislation I offer at this time there are no tax provisions whatsoever I say to the gentleman.

Mr. Speaker, I offer this highway extension, which in essence is an authorization version of a continuing resolution, as the only conceivable means available to keep any sort of highway program going.

This authorization of the basic programs at or near current levels for fiscal year 1982, would tide the program over until the postelection session and the possibility of moving a regular authorization.

Why is this necessary, Mr. Speaker? It is necessary because it has been absolutely impossible to bring up a regular authorization, even a 1-year bill to which the Senate has agreed to take in conference or back to the Senate floor for final passage.

This in turn is due to our inability to obtain from the Committee on Ways and Means a simple extension of the highway trust find or 1 year, which is all that would be necessary to extend the program authorizations for 1 year.

We requested such an extension from the Committee on Ways and Means but were confronted instead with a 1-year extension that was accompanied by a substantial rewrite of the Highway Revenue Act. It would have made it impossible for the Committee on Public Works and Transportation to exercise its authorizing jurisdiction—with respect either to amounts or purposes—affecting expenditures of funds from the highway trust fund.

Any substantive amendment to the highway program would have required an amendment to the Internal Revenue Code, which naturally would have to originate in the Committee on Ways and Means.

This would have disrupted a partnership which has prevailed ever since enactment of the Highway Revenue Act of 1956 and in effect reconstituted the Committee on Ways and Means as the authorizing committee for the Federal-aid highway program.

We do not believe the House would intend such a radical restructuring of committee responsibilities; not without adequate notice, not without hearings, not without a vote of the full House under an open rule when alternatives could at least be considered.

We therefore requested the Rules Committee to grant a modified open rule on the Ways and Means Committee's proposal, making possible the offering of a genuine, simple, 1-year extension of the trust fund. This we requested in lieu of the closed rule sought by the Committee on Ways and Means. In the absence of a compromise between the two committees, the Committee on Rules declined to grant any rule whatever.

Since that time, we have attempted to work out a compromise, with the Committee on Ways and Means, which disclaims any designs on our jurisdiction. Its principal concern, we have been told, is over the aggregate amounts that could be authorized out of the highway trust fund. But, if you read the Ways and Means language—just read the language of H.R. 7092 as reported and for which a closed rule was formally requested—you'll quickly disabuse yourself of that notion.

We have been absolutely unable to reach a compromise with the Committee on Ways and Means, which has continued to insist on language which is unacceptable, and should be unacceptable, to supporters of the highway program in this House or out in the country.

Substantively and procedurally, such a measure has no place in a 1-year extension.

We have worked out an agreement on highway authorizations which the Senate has agreed to take instantly. But, we need an extension of the trust fund to do this. We offered such an extension, with language assuring that the trust fund will be protected, and there is objection. Therefore, there is no alternative to the measure we place before the House. All I can say for it is that it is better than nothing.

This provision extends authorizations for the interstate construction program for 1 year at a level of $3.225 billion. Interstate 4R is continued, also for 1 year, by existing law at $800 million.

We also approve the apportionment factors for the Interstate System, without which no funds can be apportioned for the new fiscal year.

Also in the bill are authorizations at current funding levels for the following programs: Primary, secondary, urban, forest highways, public lands highways, economic growth centers, great river road, and priority primary.

This measure also extends other programs at current funding levels through December 15, 1982: bridge replacement and rehabilitation, hazard elimination, rail-highway crossings, and discretionary bridges. Existing Buy America provisions also are extended.

It is to be regretted that the legislative process has been frustrated by this last minute problem with what should have been a simple, 1-year extension of the trust fund. Let us not compound the problem by allowing the program virtually to come to a halt on the spot.

I urge the enactment of the bill.

Mr. ROSTENKOWSKI. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 2574

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Federal-Aid Highway Act of 1982".

REVISION OF AUTHORIZATION FOR APPROPRIATIONS FOR THE INTERSTATE SYSTEM

SEC. 102. Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended by striking out "the additional sum of $3,625,000,000 for the fiscal year ending September 30, 1984," and inserting in lieu thereof the following: "the additional sum of $3,300,000,000 for the fiscal year ending September 30, 1984,".

APPROVAL OF INTERSTATE COST ESTIMATE

SEC. 103. The Secretary of Transportation shall apportion for the fiscal year ending September 30, 1984, the sums authorized to be apportioned for such year by section 108(b) of the Federal-Aid Highway Act of 1956, as amended, for expenditures on the National System of Interstate and Defense Highways, using the apportionment factors contained in revised table 5 of the committee print numbered 97-53 of the Committee on Public Works and Transportation of the House of Representatives.

OBLIGATION LIMITATION AND ALLOCATION FORMULA

SEC. 104. (a) Notwithstanding any other provision of law, the total of all obligations for Federal aid highways and highway safety construction programs for fiscal year 1983 shall not exceed $8,200,000,000. This limitation shall not apply to obligations for emergency relief under section 125 of title 23, United States Code, and section 9 of the Federal-Aid Highway Act of 1981, except chapter 3 of the Urgent Supplemental Appropriations Act of 1982 (Public Law 97-216), and obligations with respect to Union Station under Public Law 97-125. Obligation constraints shall be placed upon any ongoing emergency project carried out under section 125 of title 23, United States Code.

(b) For the fiscal year 1983, the Secretary shall distribute the limitation imposed by subsection (a) by allocation in the ratio which sums authorized to be appropriated for Federal-aid highways and highway safety construction which are apportioned to each State for such fiscal year bears to the total of the sums authorized to be appropriated for Federal-aid highways and highway safety construction which are apportioned to all the States for such fiscal year.

(c) During the period October 1 through December 31, 1982, no State shall obligate more than 35 per centum of the amount distributed to such State under subsection (b), and the total of all State obligations during such period shall not exceed 25 per centum of the total amount distributed to all States under such subsection.

(d) Notwithstanding subsections (b) and (c), the Secretary shall—

(1) provide all States with authority sufficient to prevent lapses of sums authorized to be appropriated for Federal-aid highways and highway safety construction which have been apportioned to a State, except in those instances in which a State indicates its intention to lapse sums apportioned under section 104(b)(5)(A) of title 23, United States Code.

(2) after August 1, 1983, revise a distribution of the funds made available under subsection (b) if a State will not obligate the amount distributed during that fiscal year and redistribute sufficient amounts to those States able to obligate amounts in addition to those previously distributed during that fiscal year; and

(3) not distribute amounts authorized for administrative expenses and forest highways.

(e)(1) Section 1106(b) of the Omnibus Budget Reconciliation Act of 1981 is repealed.

(2) Section 1106(c) of the Omnibus Budget Reconciliation Act of 1981 is amended to read as follows:

"(c) For the fiscal year 1982, the Secretary of Transportation shall distribute the limitation imposed by subsection (a) by allocation in the ratio which sums authorized to be appropriated for Federal-aid highways and highway safety construction which are apportioned to each State for such fiscal year bears to the total of the sums authorized to be appropriated for Federal-aid highways and highway safety construction which are apportioned to all the States for such fiscal year.".

(3) Section 1106(d) of the Omnibus Budget Reconciliation Act of 1981 is amended by striking out "periods" and inserting in lieu thereof "period" and by striking out "and October 1 through December 31, 1982,".

(4) Section 1106(c)(2) of the Omnibus Budget Reconciliation Act of 1981 is amended by striking out "and after August 1, 1983,".

AUTHORIZATIONS

SEC. 105. (a) For the purpose of carrying out the provisions of title 23, United States Code, the following sums are hereby authorized to be appropriated:

(1) For the Federal-aid primary system in rural areas, including the extensions of the Federal-aid primary system in urban area, and the priority primary routes, out of the Highway Trust Fund, $1,500,000,000 for the fiscal year ending September 30, 1983. For the Federal-aid secondary system in rural areas, out of the Highway Trust Fund, $425,000,000 for the fiscal year ending September 30, 1983.

(2) For the Federal-aid urban system, out of the Highway Trust Fund, $775,000,000 for the fiscal year ending September 30, 1983.

(3) For Indian reservation roads and bridges, $83,000,000 for the fiscal year ending September 30, 1983.

(4) For carrying out section 215(a) of title 23, United States Code—

(A) for the Virgin Islands, not to exceed $5,000,000 for the fiscal year ending September 30, 1983;

(B) for Guam, not to exceed $5,000,000 for fiscal year ending September 30, 1983; and

(C) for American Samoa, not to exceed $1,000,000 for the fiscal year ending September 30, 1983.

Sums authorized by this paragraph shall be available for obligation at the beginning of the period for which authorized in the same manner and to the same extent as if such sums were apportioned under chapter 1 of title 23, United States Code.

(5) For the Commonwealth of the Northern Mariana Islands, not to exceed $1,000,000 for the fiscal year ending September 30, 1983. Sums authorized by this paragraph shall be expended in the same manner as sums authorized to carry out section 215 of title 23, United States Code. Sums authorized by this paragraph shall be available for obligation at the beginning of the period for which authorized in the same manner and to the same extend as if such sums were apportioned under chapter 1 of title 23, United States Code.

(6) For the forest highways, out of the Highway Trust Fund, $33,000,000 for the fiscal year ending September 30, 1983.

(7) For public lands highways, out of the Highway Trust Fund, $16,000,000 for the fiscal year ending September 30, 1983.

(8) For economic growth center development highways under section 143 of title 23, United States Code, out of the Highway Trust Fund, $29,000,000 for the fiscal year ending September 30, 1983.

(9) For the Great River Road, out of the Highway Trust Fund, $19,000,000 for the fiscal year September 30, 1983, for construction or reconstruction of roads on a Federal-aid highway system.

(10) For access highways under section 155 of title 23, United States Code, $15,000,000 for the fiscal year ending September 30, 1983.

(b)(1) For each of the fiscal years 1984, no State, including the State of Alaska, shall receive less than one-half of 1 per centum of the total apportionment for the Interstate System under section 104(b)(5)(A) of title 23, United States Code. Whenever amounts made available undr this subsection for the Interstate System in any State exceed the estimated cost of completing that State's portion of the Interstate System, and exceed the estimated cost of necessary resurfacing, restoration, rehabilitation and reconstruction of the Interstate System within such State, the excess amount shall be eligible for expenditure for those purposes for which funds apportioned under paragraphs (1), (2), and (6) of such section 104(b) may be expended.

(k) In the case of priority primary routes, $125,000,000 of the sums authorized for the fiscal year ending September 30, 1983, by subsection (a)(1) of this section for such routes, shall not be apportioned. Such $125,000,000 of such authorized sum shall be available for obligation on the date of apportionment of funds for such fiscal year, in the same manner and to the same extent as the sums apportioned on such date.

(d) Section 163(p) of the Federal-Aid Highway Act of 1973 is amended by inserting after "September 30, 1982," the following: "and $50,000,000 for the fiscal year ending September 30, 1983,".

INTERSTATE RESURFACING

SEC. 106. Section 105 of the Surface Transportation Assistance Act of 1978 is amended by striking out "and not to exceed $800,000,000 for the fiscal year ending September 30, 1984." and inserting in lieu thereof "not to exceed $1,000,000,000 for the fiscal year ending September 30, 1984.".

HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION

SEC. 107. (a) Subsection (e) of section 144 of title 23, United States Code, is amended by striking "and September 30, 1982," and inserting in lieu thereof "September 30, 1982, and September 30, 1983,";

(b) Subsection (g) of such section is amended by striking "and September 30, 1982," each place that it appears and inserting in lieu thereof "September 30, 1982 and September 30, 1983"; and

(c) Section 202(8) of the Surface Transportation Assistance Act of 1978 is amended by striking "and $900,000,000 for the fiscal year ending September 30, 1982." and inserting in lieu thereof "$900,000,000 for the fiscal year ending September 30, 1982, and $1,000,000,000 for the fiscal year ending September 30, 1983.".

SAFETY CONSTAUCTION AUTHORIZATIONS

SEC. 108. Section 202(8) of the Surface Transportation Assistance Act of 1978 is amended by striking "and $200,000,000 for the fiscal year ending September 30, 1982." and inserting in lieu thereof "$200,000,000 for the fiscal year ending September 30, 1982, and $200,000,000 for the fiscal year ending September 30, 1983.".

RAIL-HIGHWAY CROSSINGS

SEC. 109. Subsection (b) of Section 203 of the Highway Safety Act of 1973 as amended by the Highway Safety Act of 1978 is amended by striking "and September 30, 1982," and inserting in lieu thereof, "September 30, 1982, and September 30, 1983.".

ENERGY IMPACTED ROADS

SEC. 110. (a) Section 105 of title 23, United States Code, is amended by adding at the end thereof the following new subsection:

"(h) In preparing programs to submit in accordance with subsection (a) of this section, the State highway departments may give priority to projects for the reconstruction, resurfacing, restoration, or rehabilitation of highways which are incurring a substantial use as a result of transportation activities to meet national energy requirements and which will continue to incur such use, and in approving such programs the Secretary may give priority to such projects.".

(b) Section 120 of title 23, United States Code, is amended by adding at the end thereof the following new subsection:

"(k) Notwithstanding any other provision of this section, the Federal share payable on account of any project under this title to reconstruct, resurface, restore, and rehabilitate any highway which the Secretary determines, at the request of any State, is incurring a substantial use as result of transportation activities to meet national energy requirements and will continue to incur such use is eighty-five per centum of the cost of such project.".

SEC. 111. Section 10526(a) of title 49, United States Code, is amended—

(1) by striking "or" at the end of paragraph (12);

(2) by striking the period at the end of paragraph (13), and inserting in lieu thereof "; or"; and

(3) by adding at the end thereof the following:

"(14) transportation of broken, crushed or powdered glass.".

SEC. 112. Section 508 of the Airport and Airway Improvement Act of 1982 is amended by adding at the end thereof the following new subsection:

"(e) Use of Certain Apportioned Funds for Discretionary Purposes.—(1) Subject to paragraphs (2) and (3), if the Secretary determines, based upon notice provided under section 509(e) or otherwise, that any of the amounts apportioned under section 507(a) will not be obligate during a fiscal year, the Secretary may obligated during such fiscal year an amount equal to such amounts at his discretion for any of the purposes for which funds are made available under section 505.

"(2) The Secretary may make obligations in accordance with paragraph (1) only if the Secretary determines that the total of obligations for such fiscal year for purposes of section 505 will not exceed the amount authorized for such fiscal year under section 505(a) and if the Secretary determines that sufficient amounts are authorized under section 505(a) for later fiscal years for obligation for such apportioned amounts which were not obligated during such fiscal year and which remain available under section 508(a).

"(3) For purposes of amounts apportioned for fiscal year 1982, the Secretary may make the determinations under paragraphs (1) and (2) on or before October 30, 1982. For purposes of any limitation on obligations imposed by law, amounts obligated in accordance with this subsection on or before October 30, 1982, shall be deemed to have been obligated during fiscal year 1982 to the extent that such amounts, when added to amounts obligated on or after October 1, 1981, and before October 1, 1982, for purposes of section 505, do not exceed $450,000,000.".

SEC. 113. (a) Section 127 of title 23, United States Code, is amended by adding at the end thereof the following: "Notwithstanding any other limitation relating to vehicle widths contained in this title, a State may permit trucks or combinations thereof having a width of not more than 102 inches to operate over Interstate highways, National Defense Highways, or any other qualifying Federal-aid highway as designated by the Secretary of Transportation, with traffic lanes designed to be a width of 12 feet or more.".

(b) The width limitation described in the preceding subsection shall be exclusive of safety-related appendages, such as rear view mirrors, turn signal lamps, marker lamps, steps and handholds for entry and egress, flexible fender extensions, mud-flaps and splash and spray suppressant devices, load-induced tire bulge, energy conservation devices or designs, refrigeration units or air compressors, which the Secretary of Transportation may interpret as necessary for safe and efficient operation of commercial motor vehicles.

(c) No State may enact or enforce any law denying reasonable access to commercial motor vehicles subject to title 23, United States Code, to and from the Interstate Highway System and the Federal-aid primary system and terminals and facilities for food, fuel, repairs, and rest.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. HOWARD

Mr. HOWARD. Mr. Speaker, I offer an amendment in the nature of a substitute.

The Clerk read as follows:

Amendment in the nature of a substitute offered by Mr. HOWARD:

Strike out all after the enacting clause and insert in lieu thereof the following:

That this Act may be cited as the "Federal-Aid Highway Act of 1982".

SEC. 2. Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended by striking out "the additional sum of $3,625,000,000 for the fiscal year ending September 30, 1984," and inserting in lieu thereof the following: "the additional sum of $3,225,000,000 for the fiscal year ending September 30, 1984,".

SEC. 3. The Secretary of Transportation shall apportion for the fiscal year ending September 30, 1984, the sums authorized to be apportioned for such year by section 108(b) of the Federal-Aid Highway Act of 1956, as amended, for expenditures on the National System of Interstate and Defense Highways, using the apportionment factors contained in revised table 5 of the committee print numbered 97-53 of the Committee on Public Works and Transportation of the House of Representatives.

SEC. 4. (a) For the purpose of carrying out the provisions of title 23, United States Code, the following sums (multiplied by a factor determined by dividing the maximum number of days in the fiscal year ending September 30, 1983, for which funds are appropriated by a joint resolution making continuing appropriations for such fiscal year, by 365 days) are hereby authorized to be appropriated:

(1) For the Federal-aid primary system in rural areas, including the extensions of the Federal-aid primary system in urban areas, and the priority primary routes, out of the Highway Trust Fund, $1,500,000,000 for the fiscal year ending September 30, 1983. For the Federal-aid secondary system in rural areas, out of the Highway Trust Fund, $400,000,000 for the fiscal year ending September 30, 1983.

(2) For the Federal-aid urban system, out of the Highway Trust Fund, $800,000,000 for the fiscal year ending September 30, 1983.

(3) For the forest highways, out of the Highway Trust Fund, $33,000,000 for the fiscal year ending September 30, 1983.

(4) For public lands highways, out of the Highway Trust Fund, $16,000,000 for the fiscal year ending September 30, 1983.

(5) For economic growth center development highways under section 143 of title 23, United States Code, out of the Highway Trust Fund, $50,000,000 for the fiscal year ending September 30, 1983.

(6) For the Great River Road, out of the Highway Trust Fund, $25,000,000 for the fiscal year ending September 30, 1983, for construction or reconstruction of roads on a Federal-aid highway system.

(b) For fiscal year 1984, no State, including the State of Alaska, shall receive less than one-half of 1 per centum of the total apportionment for the Interstate System under section 104(b)(5)(A) of title 23, United States Code. Whenever amounts made available under this subsection for the Interstate System in any State exceed the estimated cost of completing that State's portion of the Interstate System, and exceed the estimated cost of necessary resurfacing, restoration, rehabilitation, and reconstruction of the Interstate System within such State, the excess amount shall be eligible for expenditure for those purposes for which funds apportioned under paragraphs (1), (2), and (6) of such section 104(b) may be expended and shall also be available for expenditure to carry out section 152 of title 23, United States Code.

(c) In the case of priority primary routes, $125,000,000 (multiplied by the factor determined under subsection (a) of this section) of the sums authorized for the fiscal year ending September 30, 1983, by subsection (a)(1) of this section for such routes, shall not be apportioned. Such $125,000,000 (multiplied by such factor) shall be available for obligation on the date of apportionment of funds for such fiscal year, in the same manner and to the same extent as the sums apportioned on such date, except that such $125,000,000 (multiplied by such factor) shall be available for obligation at the discretion of the Secretary of Transportation only for projects of unusually high cost or which require long periods of time for their construction. Any part of such $125,000,000 (multiplied by such factor) not obligated by such Secretary on or before the last day of such fiscal year shall be immediately apportioned in the same manner as funds apportioned for the next succeeding fiscal year for primary system routes, and available for obligation for the same periods as such apportionment.

SEC. 5. (a) The following sums are hereby authorized to be appropriated:

(1) For bridge replacement and rehabilitation under section 144 of title 23, United States Code, out of the Highway Trust Fund, $900,000,000 (multiplied by the factor determined under section 4(a) of this Act) for the fiscal year ending September 30, 1983.

(2) For projects for elimination of hazards under section 152 of title 23, United States Code, out of the Highway Trust Fund, $200,000,000 (multiplied by the factor determined under section 4(a) of this Act) for the fiscal year ending September 30, 1983.

(b) Section 203(b) of the Highway Safety Act of 1973, as amended, is amended by striking out "and $190,000,000" and inserting in lieu thereof "$190,000,000" and by inserting after "September 30, 1982" the following: ", and $190,000,000 (multiplied by the factor determined under section 4(a) of the Federal-Aid Highway Act of 1982) for the fiscal year ending September 30, 1983".

(c)(1) Section 144(e) of title 23, United States Code, is amended by striking out "and September 30, 1982" and inserting in lieu thereof "September 30, 1982, and September 30, 1983".

(2) Section 144(g) of title 23, United States Code, is amended by inserting after the third sentence the following new sentences: "Of the amount authorized for the fiscal year ending September 30, 1983, by paragraph (1) of section 5(a) of the Federal-Aid Highway Act of 1982, all but $200,000,000 (multiplied by the factor determined under section 4(a) of such Act) shall be apportioned as provided in subsection (e) of this section. $200,000,000 (multiplied by such factor) of the amount authorized for such fiscal year shall be available for obligation on the date of each such apportionment in the same manner and to the same extent as the sums apportioned on such date except that the obligation of such $200,000,000 (multiplied by such factor) shall be at the discretion of the Secretary and shall be only for projects for those highway bridges the replacement or rehabilitation cost of each of which is more than $10,000,000, and for any project for a highway bridge the replacement or rehabilitation costs of which is less than $10,000,000 if such cost is at least twice the amount apportioned to the State in which such bridge is located under subsection (e) of this section for the fiscal year in which application is made for a grant for such bridge.".

SEC. 6. Section 401(a) of the Surface Transportation Assistance Act of 1978 is amended by inserting after "or by any Act amended by this Act" the following: "or, after the date of enactment of this Act, any funds authorized to be appropriated to carry out this Act, title 23, United States Code, or the Urban Mass Transportation Act of 1964".

Mr. HOWARD (during the reading). Mr. Speaker, I ask unanimous consent that the amendment in the nature of a substitute be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

Mr. FRENZEL. Mr. Speaker, reserving the right to object, was this a unanimous-consent request made to bring up this bill?

The SPEAKER pro tempore. There was a unanimous-consent request made, and no objection was heard.

Mr. FRENZEL. And that is the procedure we are operating under now?

The SPEAKER pro tempore. That is correct.

Mr. FRENZEL. Further reserving the right to object, may I inquire as to the chairman's intentions?

Mr. HOWARD. Mr. Speaker, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman.

Mr. HOWARD. I will state to the gentleman, as you may know, we had a 1-year extension of the highway bill. We have gone to the Ways and Means Committee asking, as is routine and normal, a 1-year extension of the highway trust fund to be able to cover the amount of money in this legislation.

As you know, the Ways and Means Committee passed a resolution and went to the Rules Committee with it which would not only extend the trust fund for 1 year but would take the entire jurisdiction of authorizing highway legislation away from the Public Works and Transportation Committee and vest it in the Ways and Means Committee.

This caused an impasse because the Public Works and Transportation Committee, which has been working this program very well, fiscally responsibly, never having a dollar due when a dollar was not there to pay for it, felt we should not, by an amendment from the Ways and Means Committee, give our jurisdiction up to the Ways and Means Committee.

I previously asked unanimous consent to be able to bring up a 1-year bill because, as you know, there was no highway money in the continuing resolution just passed and this caused a great deal of difficulty around the Nation because the program died this morning.

We find that as of this morning 31 States in this Nation are without funding for various items such as interstate, primary, secondary, urban, or bridge programs in their States.

So the chairman of the Ways and Means Committee just objected to us having a 1-year bill. So what I am attempting to bring before the House now is what amounts to perhaps a 6-month bill or a 3-month bill, depending upon the payout, which does not require the Ways and Means Committee to extend the trust fund at all, which again shows how fiscally responsible we have been in Public Works, because we have gone 3 to 6 months now without any additional increase and have enough money in the funding to take care of it.

So all we are attempting to do now is to try and get by for a few more months because what the Ways and Means Committee did has caused a tremendous disruption in the highway programs of at least 31 States. So this is the second bill, a short-term measure.

□ 2050

Mr. FRENZEL. I thank the gentleman.

Further reserving the right to object, I am overwhelmed by the financial responsibility. I wonder if the gentleman would tell me about section 6. You are extending current "buy America" requirements that are now in the law, without extension or addition?

Mr. HOWARD. The gentleman is correct. That is in section 6.

Mr. FRENZEL. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey (Mr. HOWARD) that the amendment in the nature of a substitute be considered or read and printed in the RECORD?

Mr. WALKER. Mr. Speaker, reserving the right to object, can we have some description as to what this amendment does?

Mr. HOWARD. If the gentleman will yield, this is a short-term continuation of the basic elements of the highway program, interstate, primary, secondary, bridge, urban, for a short time, to stay within the funding that will be available, without any extension of the highway trust fund, so that when we come back in the lameduck session, perhaps, we will then have to address this problem once more. But it at least will permit the programs to go on during this interim period for the States.

Mr. WALKER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey (Mr. HOWARD) that the amendment in the nature of a substitute be considered as read and printed in the RECORD?

Mr. SHAW. Mr. Speaker, reserving the right to object, I would like to inquire of the chairman concerning the highway beautification provision.

Mr. HOWARD. Gone.

Mr. SHAW. Particularly the provision as to billboards and the compensation by the States?

Mr. HOWARD. Absolutely gone. This is a basic, barebones bill. The other policy changes that our committee had voted out are gone. There were 40-some Members who had special needs in their districts for special projects, justifiable needs that were in the legislation, most of which would have been in the 1-year bill that was just objected to. They are all gone also. We are going to have to come back to this at some other time. This is just the barebones continued funding for the major portions of this legislation.

Mr. SHAW. I thank the gentleman, and I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey (Mr. HOWARD) that the amendment in the nature of a substitute be considered as read and printed in the RECORD?

There was no objection.

The SPEAKER pro tempore. The question is on the amendment in the nature of a substitute offered by the gentleman from New Jersey (Mr. HOWARD).

The amendment in the nature of a substitute was agreed to.

Mr. CLAUSEN. Mr. Speaker, I rise in support of this extension and urge its prompt adoption. Like the bill we had hoped to offer along with trust fund extension but were prevented from offering by objection, this one can be taken up quickly by the Senate and passed.

It is absolutely vital that we authorize the basic, noninterstate programs funded by the trust fund, and I would emphasize that these can be funded from existing resources without any extension of the fund. It is also essential that we approve the table V apportionment factors for the interstate program to permit this important construction work to go forward.

Also provided in this measure is extension of the bridge replacement, hazard elimination, rail-highway crossing, and discretionary bridge programs.

The only further comment I would have at this late hour on the last day of the session is this: My fellow members of the committee leadership, Chairman HOWARD of the full committee, Chairman ANDERSON of the Surface Transportation Subcommittee, and the gentleman from Pennsylvania, Mr. SHUSTER, the ranking minority member of the subcommittee, have been unsparing in their efforts to get at least a 1-year highway bill with a 1-year extension of the highway trust fund enacted into law.

This was not to be and it should be no mystery to any Member of this body where the problem lies. Partisanship aside, the November elections aside, if any of these gentlemen is subjected to criticism for the outcome of the trust fund fiasco, he will find me in this corner. I want the record to show that there could not have been a greater demonstration of good faith, diligence, reason, and responsibility in the handling of this difficult matter than was exhibited by my colleagues from New Jersey, Pennsylvania, and California. I will be standing with them when we come back for the lame-duck session—and I very much hope in the next Congress—to renew and continue the fight for a highway program worthy of this Nation and in keeping with the problems it faces. The issue is not the defense of narrow committee interests but the viability of the program itself.

I urge enactment of the bill.

Mr. ANDERSON. Mr. Speaker how nice it would have been if I could have stood here and enthusiastically asked our colleagues to support us in passing a 1-year highway bill. But now, I cannot do that. I cannot say that the Public Works Committee is bringing you a good bill that you can be proud of. I cannot say that we are responsibly helping to fulfill this Nation's highways needs.

I can say, that given the circumstances, we have no choice but to approve a bill that continues our vital highway programs for a few months. If we do not do this, of course, the programs expire. That would be tragic. That is something we absolutely must not do.

We will not leave here tonight knowing that we have done something good for our constituents. In truth, we are doing nothing to address the deteriorating highways in our districts.

But we must not hasten their deterioration by doing nothing tonight. We must pass this bill.

I am not a medical doctor, Mr. Speaker. But I understand that members of that profession have a motto. If you can do no good, at least do no harm.

Our patient is the Nation's highway system. We will do no good for it tonight. But we must not kill it.

I urge support for this legislation.

● Mr. SHUSTER. Mr. Speaker, I rise in support of this simple 3-month extension of the Federal-aid highway program, but I am deeply disappointed that obstacles were laid in our way to prevent a 1-year authorization of this legislation. It is bad policy and bad precedent to fund this program for only 3 months because during the lameduck session, we will have to come back for another authorization. The States have enough serious problems with Congress issuing different signals every year, let alone every 3 months.

Let me inform my colleagues that this 3-month extension was the absolute last course we wanted to take. The 1-year extension, which we were prepared to offer, had been cleared by the Senate and could now be on its way to the White House. That 1-year bill was a barebones measure that deferred all major policy decisions until next year but provided increased funding for maintenance of our interstate system and for bridges, critical areas of concern.

I am disappointed that significant roadblocks kept us from taking the best course for the highway program in this country. However, I urge my colleagues to support this simple extension of existing law and call for your support in the lameduck session for a further authorization to get the program through fiscal year 1983.●

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. HOWARD. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the Senate bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

## FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4441) entitled "An act to amend title 17 of the United States Code with respect to the fees of the Copyright Office, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1018) entitled "An act to protect and conserve fish and wildlife resources, and for other purposes."

## CONFERENCE REPORT ON H.R. 6267, NET WORTH GUARANTEE ACT

Mr. MOAKLEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 603 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. Res. 603

*Resolved*, That upon the adoption of this resolution it shall be in order, clause 2 of rule XXVIII to the contrary notwithstanding, to consider the conference report on the bill (H.R. 6267) to revitalize the housing industry by strengthening the financial stability of home mortgate lending institutions and ensuring the availability of home mortgage loans, said conference report shall be considered as having been read when called up for consideration, and all points of order against said conference report for failure to comply with the provisions of clauses 3 and 4 of rule XXVIII are hereby waived.

The SPEAKER pro tempore. The gentleman from Massachusetts (Mr. MOAKLEY) is recognized for 1 hour.

Mr. MOAKLEY. Mr. Speaker, I yield the customary 30 minutes to the gentleman from Mississippi (Mr. LOTT), pending which I yield myself such time as I may consume.

Mr. Speaker, the resolution (H. Res. 603) is the rule providing for the consideration of the conference report on the bill (H.R. 6267) to revitalize the housing industry by strengthening the financial stability of home mortgage lending institutions and insuring the availability of home mortgage loans.

This is extraordinarily important legislation and the rule provides the only method by which the House can deal with this matter within the difficult time contraints we face at this moment.

The rule provides waivers of points-of-order under certain rules of the House which otherwise would lie against the conference report (H. Rept. No. 97-899).

It waives clause 2 of rule XXVIII, the 3-day layover requirement, which would prevent consideration of this conference report until December, under the present schedule. It also waives clause 3 of rule XXVIII, relating to scope of conference reports, which would prevent consideration of the conference report at all. To the best of my knowledge, there is no controversy over these two waivers.

However, there is some controversy over the waiver of clause 4 of rule XXVIII. This general waiver, applied to a conference report, is similar to a closed rule, and there is a body of thought within the House that there should be separate votes in the House on some provisions.

The Committee on Rules recommends that the rule be waived based on the difficult political and parliamentary situation.

To explain the situation, I would note that the Senate took the original Net Worth Guarantee Act, which had overwhelmingly passed the House May 20th by a vote of 272 to 91, and added substantial new matter. Although there has been some criticism of this procedure, it is the constitutional prerogative of each House to determine the form in which it will act, and go to conference, on bills from the other House.

The managers on the part of the House included the able and knowledgeable gentleman from Rhode Island (Mr. ST GERMAIN), the gentleman from Wisconsin (Mr. REUSS), the gentleman from Illinois (Mr. ANNUNZIO), the gentleman from Ohio (Mr. STANTON), and the gentleman from Ohio (Mr. WYLIE). Our managers acted with caution, skill, and integrity to present to the House a conference report which is limited substantially to propositions which were either contained in the original House bill or in related bills on which the House has acted in recent sessions.

I think there is general agreement that this bill addresses, creatively and responsibly, the most pressing issues threatening the viability of depository institutions.

The Speaker's Rooms
U. S. House of Representatives
Washington, D. C. 20515

October 18, 1982

Dear Democratic Colleague:

On October 13, President Reagan gave us a "progress report" on the nation's economy. Reaganomics, he said, is working. After declaring his program a success, the President itemized the Administration's legislative agenda for the rest of the year. Conspicuously absent from that agenda was any measure to create jobs and put Americans to work.

Within 48 hours of the President's address, the Labor Department released its own report on the nation's economic health. Initial claims for unemployment insurance benefits during the first week in October reached 695,000 -- 12,000 higher than the previous week.

It is clear that the President's view of the nation's economic outlook, as well as his legislative agenda, remains at odds with the real-life data being collected by his own Labor Department. The President declares Reaganomics a success and urges us to "stay the course." The Labor Department reports that unemployment, already the highest since the Great Depression, continues to rise.

Congress cannot act on the basis of pie-in-the-sky optimism. It must base its judgments, and its agenda, on the hard facts of economic life. When we return to work November 29, we must give top legislative priority to job-creation and economic recovery.

At minimum, we need to act in two vital sectors:

¶ Housing. Every economic recovery since World War II has been led by housing. Recognizing this fact, Congress passed legislation in June subsidizing moderate-price housing and creating some 200,000 jobs. The bill was vetoed. We need to try again.

¶ Infrastructure. Today our nation's bridges, roads, water systems and public facilities are in drastic need of repair. To meet this need, the House passed legislation in September putting 200,000 people to work rebuilding these vital areas of our economic infrastructure. Faced with Administration opposition, the measure was defeated in the Senate. We need to try again.

At the request of the Democratic leadership of both Houses, Chairman Henry S. Reuss of the Joint Economic Committee is holding emergency hearings during the current recess. He is receiving testimony from the nation's top economists and economic forecasters. With the aid of this testimony, he will develop suggestions for additional steps we should take during the lame duck session.

President Reagan's televised remarks make it clear that he disagrees with this Democratic agenda. Rather than supporting new initiatives, he urges that we "stay the course."

We believe that the results of the November 2 election will make it clear that the American people vastly prefer a back-to-work program to the President's stay-the-course philosophy.

In making their preference known, the American people will send a clear-cut message to the White House: get this country working again! They will send another message: putting Americans back to work is not only the right thing to do economically; it is also the fair thing to do.

Sincerely,

Thomas P. O'Neill

Jim Wright

Thomas S Foley

Thomas P. O'Neill, Jr.
The Speaker

Jim Wright
Majority Leader

Thomas S. Foley
Majority Whip

THE WHITE HOUSE

WASHINGTON

November 6, 1982

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER

SUBJECT: Transportation User Fees

This memorandum briefly summarizes the principal arguments relating to an increase in transportation user fees. The Cabinet Council first considered this issue on December 22, 1981 and again on March 9 and May 18, 1982. At the May 18, 1982 meeting the President determined that we should reconsider the proposal as part of the FY 1984 budget.

Issue

Should the Administration support an increase in transportation user fees to finance highway and transit infrastructure programs as part of the FY 1984 budget?

Background

Major portions of our highway and transit systems are deteriorating rapidly. These systems are essential to efficiently move people and freight and to a healthy national economy. Investments by all levels of government are falling well short of the amount necessary to complete the Interstate System and to keep our nation's highway system, including its bridges, from continuing to deteriorate.

- Over 4,000 miles of the Interstate System, nearly 10 percent of the total, requires resurfacing or replacement now or in the very near future.

- Fifty percent of the primary highway system will reach the end of its design life during the 1980's.

- Forty percent of our nation's bridges are more than 40 years old, and the design life of most bridges is 50 years.

- Urban rail and bus transit capital investment needs could total almost $50 billion over the next decade to maintain our existing systems. These mass transit systems, which move hundreds of thousands of people daily, complement and are interdependent with our highways in efficiently and economically moving people and goods in urban areas.

- Deferring needed maintenance (resurfacing or rehabilitation) will eventually result in much higher costs for replacement and reconstruction to avoid an infrastructure collapse.

Options

The Department of Transportation and the Office of Management and Budget have advanced two basic alternatives for the Cabinet Council's consideration.

Option 1: Increase highway user charges equivalent to five cents per gallon.

This user fee increase would generate about $5.5 billion in new revenues per year of which about $4.4 billion would be used for highways and $1.1 billion for capital improvements to public transit. The proposal would also allocate fees more equitably and ensure uniformity in size and weight for large trucks using the interstate system. Inflation has seriously eroded the real value of current highway user fees which were last increased in 1959.

Advantages

- Infrastructure Renovation. The proposal adequately funds the Federal share of the investment needed to halt the deterioration of our highway and transit infrastructure and to complete the Interstate System, as well as to provide funds for turnback to the states for implementing the New Federalism.

- Jobs. The proposal would create an estimated 320,000 jobs annually. This estimate includes 170,000 direct and indirect jobs in construction industries, and 150,000 more jobs "induced" by this construction in other sectors of the economy. This would positively counter any "make-work" jobs initiative House Democrats will offer in the lame duck session or the 98th Congress.

- Budget Deficit. The proposal would be funded from user fees and would have a positive budgetary impact during the first 2-3 budget years of several billion dollars.

- Federalism. The proposal for $27.5 billion in additional revenues over the next five years for spending on highway and transit programs includes $11.0 billion for turnback to the states under the New Federalism initiative. Without turning back funds, the states will not accept the program responsibilities, and without increased user fees, the Federal Government cannot turnback funds and still fulfill its interstate and primary highway program responsibilities. Such a transfer can serve as a model of the New Federalism.

- Political Feasibility. The proposal enjoys broad bipartisan support in the Congress, from State and local officials, as well as a broad coalition of user and interest groups.

Option 2: Maintain current highway user charges and revenue levels.

This alternative requires legislation before the Administration can make full year apportionments for fiscal year 1983. Under present law the user fees which provide revenue for the Highway Trust Fund are scheduled to lapse in fiscal year 1984.

Advantages

- Infrastructure Renovation. The Federal role in building and maintaining our highway infrastructure is a limited one with states paying approximately 80 percent of total costs. Current Federal revenues of about $8 billion a year are fully adequate to fund Interstate needs at the DOT level and provide considerable assistance for primary highways and bridges. Other needs — secondary roads, urban streets, and mass transit — should be the responsibility of the states.

- Jobs. Assuming constant monetary policy, additional jobs created by new highway construction and related activities would simply replace jobs and economic activity in other sectors of the economy. Most of the added spending would occur well after the recovery is fully underway.

- Budget Deficit. The positive effect on the budget deficit in 1984 and 1985 is minor given the magnitude of the prospective deficits. The proposal would increase budget deficits by over $1 billion in the out-years because excise taxes reduce taxable income. The offset is about 25 percent.

- Federalism. The DOT proposal increases the size and influence of the Federal government by raising both taxes and program levels. OMB estimates that of the $77 billion 5-year DOT program, $30 billion would be for state and local responsibilities. The Federal tax increase would reduce the ability of the states to increase their taxes for highways or other purposes. OMB argues that increasing taxes and program levels and then attempting to turn both back to the states is likely to fail.

- Political Feasibility. The proposal enjoys support in part because it takes pressure off state governments to raise their own taxes. While cost allocation would be improved for highway users, using over $1 billion of taxes from highway users to subsidize mass transit dramatically violates the cost allocation principle.

Decision

Option 1 __________ Increase highway user charges equivalent to five cents per gallon.

Option 2 __________ Maintain current highway user charges and revenue levels.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

COUNSELOR TO THE SECRETARY

November 9, 1982

MEMORANDUM FOR DONALD T. REGAN

FROM: ROGER B. PORTER RBP

SUBJECT: One Hundred and Thirty-Ninth Meeting of the Cabinet Council on Economic Affairs - November 10, 1982

The Cabinet Council on Economic Affairs will hold its one hundred and thirty-ninth meeting on Wednesday, November 10, at 10:30 a.m. in the Cabinet Room. The President will chair the meeting. Attendance is limited to principals only.

The Council is scheduled to consider one agenda item — transportation user fees. A meeting of the Cabinet Council on Human Resources to consider health care cost containment measures will immediately follow. The two meetings are scheduled to last 90 minutes with 45 minutes discussion devoted to each subject.

Transportation User Fees

The Cabinet Council has considered the issue of transportation user fees on three previous occasions in December 1981 and in March and May this year. At the May 18 meeting with the President he decided that he wanted to defer making a decision until the FY 1984 budget.

Many of the arguments remain the same. In support of approving the Department of Transportation proposal for a 5¢ a gallon tax to fund a highway and transit infrastructure program the most compelling arguments are:

- o Our current transportation infrastructure in the country is deteriorating and that deterioration is accelerating. This is widely acknowledged by those who have examined the problem closely across the political spectrum.

- o This is an initiative that is self-financing in that the user fee covers the costs of the program with a positive cash flow in the early years and a negative cash flow in the later years.

- o It is consistent, and even a model, of the New Federalism initiative.

- In addition, there is a new argument, or at least one that has gained more force since the last discussion of this issue in May — its value as a counter to inevitable Democratic jobs (public works) proposals that will undoubtedly gain attention during the coming weeks.

Since May this proposal has gained increased support not only in the Congress, among state and local officials, and in the predictable interest groups, but also within the Administration. Ed Meese, who will not attend the meeting, told me this morning that he now supported the idea and would inform the President of his position before the meeting.

The arguments opposing the proposal are also well known:

- The proposal goes beyond the primary Federal responsibility for the interstate and thereby violates our federalism principles.

- It involves raising taxes by approximately $5.5 billion a year for the next five years.

- It will not create anywhere near the number of net jobs that its proponents claim since many of the jobs created will simply replace jobs in other sectors of the economy given a constant monetary policy.

A short memorandum incorporating the DOT and OMB submissions was circulated to Council members on Monday. I tried to tone down the most excessive rhetoric in what they submitted while retaining the thrust of their arguments. I believe they are both reasonably pleased with the paper.

I suggest that Secretary Lewis make the presentation followed by David Stockman.

On balance, this strikes me as one of the better new, fresh initiatives available to the Administration. We cannot leave the field to the Democrats and with 10.4 percent unemployment the jobs issue will not go away. While it is true that the number of net new jobs created by this proposal is much less than its proponents claim, it does meet a genuine need (rebuilding our infrastructure), it is self financing (although entailing a tax increase/user fee), and it does enjoy broad bipartisan support in the Congress.

# Memorandum

☐ ACTION ☐ BRIEFING ☒ INFORMATION

**FOR:** SECRETARY REGAN **DATE:** November 9, 1982

**FROM:** Bruce Thompson, Deputy Assistant Secretary (L)

**SUBJECT:** Transportation User Fees

Although in the past Congress has overwhelmingly rejected proposals to increase the gasoline excise tax, there is a considerable amount of support in Congress for such a proposal.

As you may recall, the Republicans on the Senate Finance Committee voted in caucus last year to approve a 5 cents a gallon gasoline tax as part of the tax bill. The Administration opposed the gas tax last spring, primarily because we were in the midst of the budget and tax negotiations at that time. It took a number of phone calls from you and the President to Senators Dole and Symms to reverse the committee's decision.

However, there is still substantial support in Congress.

-- There is substantial support among Republicans on the Senate Finance Committee, particularly if it is linked to "jobs-creating" infrastructure programs.

-- In a speech November 9, Ways and Means Chairman Rostenkowski said he believes his committee will approve a 5 cents gasoline tax, but only if all the revenues go into the trust fund.

-- In a letter to you last year, Barber Conable said there was "substantial interest" among Republicans on the committee for a 5 cents gasoline tax, but only if the revenues were "appropriately dedicated."

Despite this support, some opposition to a gasoline tax can be expected.

-- Some opposition can be expected from conservative Republicans who are opposed to all tax increases. Many of them believe any tax increase proposal will open the door to further increases.

| INITIATOR | REVIEWER | REVIEWER | REVIEWER | REVIEWER |
|---|---|---|---|---|
| | | | | |
| | | | | |

-- Some members may oppose -- as they have done in the past -- a gasoline tax on the grounds that is a regressive tax which will hit hardest at the poor.

-- Many members, particularly those from the South and West, will oppose the dedication of 1 cent per gallon of the tax to mass transit.

C. F.
077580CS
FG010-02

THE WHITE HOUSE
WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

November 10, 1982

10:30 a.m.

Cabinet Room

AGENDA

1. Transportation User Fees (CM#326)

- Mexico has signed an agreement with IMF
- Argentina has signed with IMF

- Lewis made presentation
- Stockman made comments opposed
- Lewis responded
- Carleson discussed California experience
- discussion /

CABINET COUNCIL ON ECONOMIC AFFAIRS

November 10, 1982

PARTICIPANTS

The President

Secretary Regan
~~Secretary Shultz~~ Undersecretary Allen Wallis.
Secretary Watt
~~Secretary Baldrige~~ Deputy Secretary Fiske.
Secretary Donovan
Secretary Schweiker
Secretary Lewis
Secretary Hodel.
Director Stockman
Ambassador Brock
James A. Baker III
Chairman Feldstein Bell

Deputy Attorney General Schmults
(Representing Attorney General Smith)
Deputy Secretary Lyng.
(Representing Secretary Block)
Under Secretary Hovde.
(Representing Secretary Pierce)

Kenneth Duberstein, Assistant to the President for Legislative Affairs
Richard Darman, Assistant to the President and Deputy to the Chief of Staff
Elizabeth Dole, Assistant to the President for Public Liaison
Craig Fuller, Assistant to the President for Cabinet Affairs
Richard Williamson, Assistant to the President for Intergovernmental Affairs
Dave Gergen.
Larry Speakes.
Roger Porter, Executive Secretary
Becky Norton Dunlop, Director, Office of Cabinet Affairs

For Presentation:

Darrell Trent, Deputy Secretary of Transportation
John Fowler, General Counsel, Department of Transportation

Additional Attendees:
Lee Atwater, Deputy Assistant to the President for Political Affairs
T. Kenneth Cribb, Jr., Assistant Counsellor to the President
Fred Bush, Deputy Chief of Staff, Office of the Vice President
Annelise Anderson, Associate Director of OMB for Economics and Government
Jim Cicconi.
Jim Jenkins.
David Swoap } HHS
Robert Rubin }
Velma Montoya.
Les Denend.
Henry Nau.
~~Allen Wallis~~
Danny Boggs.
Bob Carleson.

82-17789

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

November 10, 1982
10:30 a.m.
Cabinet Room

Attendees: The President, Messrs. Regan, Watt, Donovan, Schweiker, Lewis, Hodel, Bell, Stockman, Brock, Baker, Feldstein, Darman, Fuller, Duberstein, Gergen, Porter, Jenkins, Williamson, Lyng, Schmults, Hovde, Fiske, Wallis, Trent, Speakes, Atwater, Cribb, Cicconi, Carleson, Boggs, Nau, and Denend, Ms. Dole, Ms. Anderson, Ms. Montoya, and Ms. Dunlop.

1. Latin American Debt Situation

Secretary Regan provided the Council an update on the latest developments in the Latin American debt situation. He reported that Mexico has signed an agreement with the IMF. Also, Argentina has just signed an agreement with the IMF. Importantly, these agreements call for stringent economic policies in both countries giving each the ability to earn foreign exchange to service outstanding debt. The signed agreements should also give commercial banks the confidence to begin lending again. Only Brazil of the major debt problem countries remains to complete an agreement with the IMF.

2. Transportation User Fees

The Council reviewed an issue paper outlining the arguments for and against an increase in federal transportation user fees.

Secretary Lewis presented the case for increasing current transportation user fees by 5 cents per gallon. He noted that the U.S. transportation system is characterized by deteriorating primary and secondary highways, obsolete transit systems, and deficient on and off system bridges. The current 4 cents per gallon tax has been seriously eroded by inflation, making it impossible to accomplish essential maintenance. An additional 5 cents per gallon user fee allocated to federal (2 cents), state (2 cents), and mass transit (1 cent) priorities would permit necessary maintenance to be completed, arresting further deterioration of the system.

Mr. Stockman offered the case against a transportation user fee. He acknowledged that there is a problem of deteriorating roads and bridges. The issue is who is responsible and how this should be corrected. Imposing a federal tax to fund local responsibilities when local jurisdictions have the taxing authority to raise the necessary revenue runs counter to the Administration's federalism principles. Implicit in the proposed user fee plan is a reallocation of revenues determined by the federal government. Some jurisdictions will receive more than they contribute in user fees and others obviously less. There is a serious question as to whether the Administration wants to encourage this federal role in yet another government program. Instead, the government should maintain the current tax and concentrate on federal transportation system responsibilities.

Secretary Lewis clarified certain aspects of the 5 cents per gallon user fee proposal. He noted that the revenues would be returned to the states and local jurisdictions as block grants in accordance with the Administration's federalism principles. The increased user fee could be terminated in the future if desired, allowing state and local governments to raise the revenue to continue the program. He claimed that the proposal would create 170,000 jobs in construction and induce approximately 150,000 jobs throughout the rest of the economy. Moreover, the program could be implemented quickly, committing nearly $3 billion within 90 days. It has the support of state and local officials and the Republican leadership in the Congress, and it is viewed positively by the public.

The Council discussed the job potential of the proposal. Although in the near term it would have a positive impact on employment, the user fee proposal is not a jobs bill. The program would be self-financing, and the employment created would accomplish necessary transportation system maintenance.

The Council reviewed the specific components of the user fee proposal. To the extent that the federal government raises revenue from the users of the federal transportation system to repair and maintain the system, the revenue is raised through a true user fee. Raising revenue which is then allocated to local jurisdictions in amounts different from their contributions departs from the pure user fee revenue form. Raising revenue for mass transit through a transportation system user fee is a more serious departure form the user fee concept.

Several members stressed the importance of the national transportation system. For agricultural users, off system roads and bridges are very important, and an increased user fee would be supported. Productivity in commercial activities has also eroded because of the deterioration of the transportation system.

The President took the issue under advisement.

82-17137

Information

dtr

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

COUNSELOR TO THE SECRETARY

November 12, 1982

MEMORANDUM FOR DONALD T. REGAN

FROM: ROGER B. PORTER RBP

SUBJECT: Highway User Fees

In the wake of the Cabinet Council meeting with the President on transportation user fees, Secretary Lewis sent the President the attached one page memorandum to clarify the way in which the new user fee would be distributed under his proposal.

The memorandum only refers to the distribution of the $4.4 billion to the Highway Trust Fund. Another $1.1 billion would be dedicated to urban mass transit under his proposal, which would raise an estimated $5.5 billion annually.

Attachment

DONALD T. REGAN

TREASURY

MEMORANDA

Porter, Roger B.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

NOV 10 1982

MEMORANDUM TO THE PRESIDENT

FROM: Drew Lewis

SUBJECT: Highway User Fees

The proposed 5 cent increase in highway user charges would add $4.4 billion to the $8.8 billion 1983 Highway Trust Fund budget. The current $8.8 billion is divided: $6.6 billion for federal highways (interstate highways and primary roads such as U.S. 101 in California) and $2.2 billion for state programs (urban and rural).

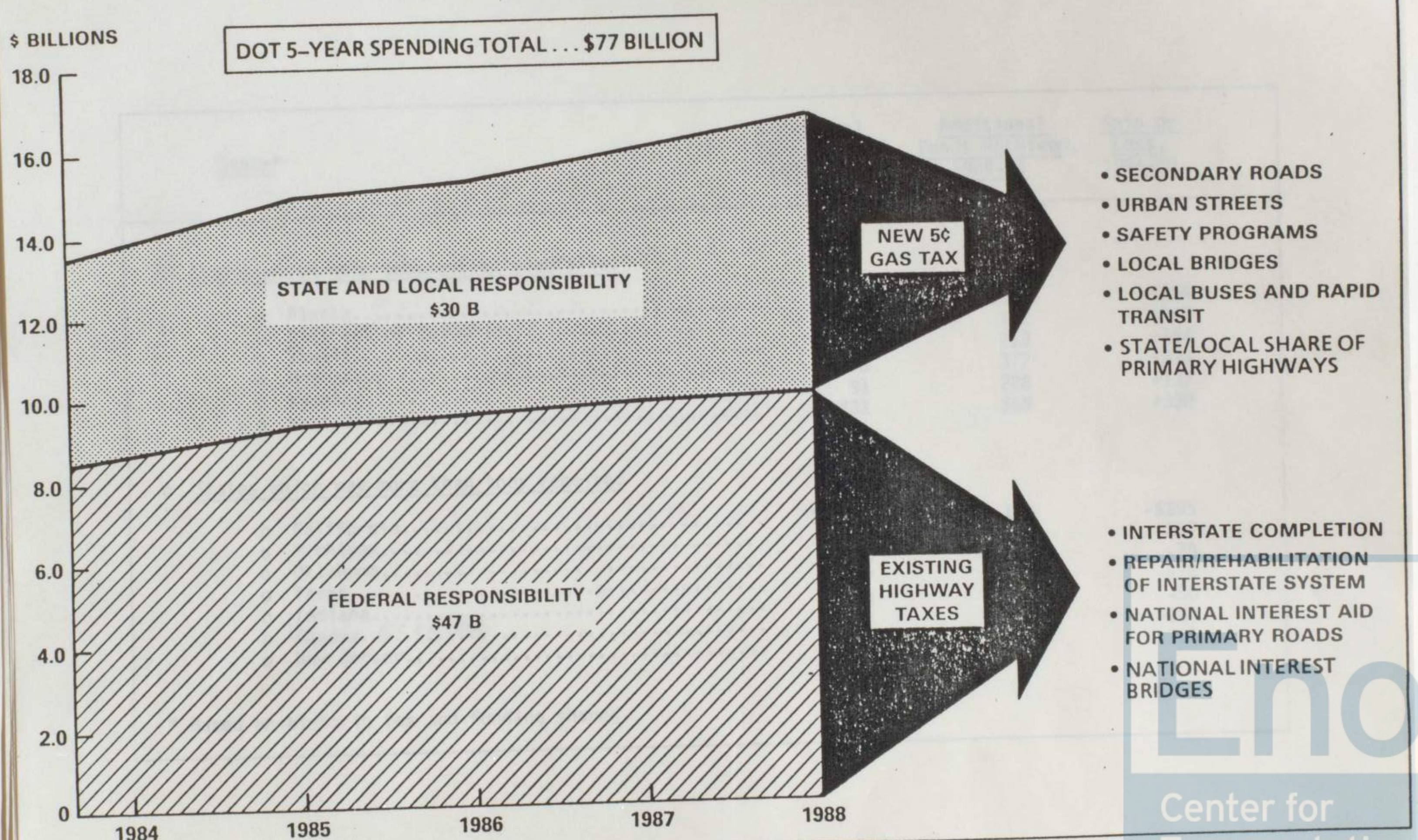
FEDERAL BUDGET

| | FY 83 | New User Fee |
|---|---|---|
| Federal | | |
| Interstate Highway Systems | 3.23 | .78 |
| Interstate Repairs & Maintenance | .80 | 1.75 |
| Interstate Transfers | .52 | .13 |
| U.S. Primary System (i.e. U.S. 101) | 1.50 | .60 |
| Primary Bridges | .49 | 1.12 |
| Emergency Relief | .10 | -- |
| Roads on Federal Lands | .05 | .05 |
| | 6.59 | 4.43 |
| States | | |
| Secondary | .40 | -- |
| Urban | .80 | -- |
| Safety Construction | .39 | -- |
| Non-Primary Bridges | .51 | -- |
| State & Community Grants | .10 | -- |
| | 2.20 | No Add'l Funding |

It was proposed under the New Federalism Program that state and local roads be funded by state and local governments. The program calls for returning responsibility for the state and local system to the states together with sources for funding them. This New Federalism State Program would be $2.2 billion, as stated in the chart above.

The additional 5 cent user fee would be allocated only to federal programs which desperately need financial support, especially for reconstruction and maintenance.

# SPLIT OF DOT FUNDING PROPOSAL BETWEEN FEDERAL AND STATE/LOCAL RESPONSIBILITY



CONSEQUENCE OF NATIONALIZING TAXING AND SPENDING FOR LOCAL TRANSPORTATION:
BIG WINNERS AND LOSERS

| State* | Additional Taxes Paid 1984-88 | Additional Funds Received, 1984-88 | Gain or Loss, 1984-88 |
|---|---|---|---|
| | | (millions) | |
| o States which gain substantial windfalls: | | | |
| o Alaska | $39 | $355 | +$316 |
| o District of Columbia | 66 | 312 | +246 |
| o Hawaii | 69 | 213 | +144 |
| o Montana | 138 | 377 | +239 |
| o Wyoming | 91 | 228 | +137 |
| o West Virginia | 231 | 569 | +338 |
| o States which pay more than they receive: | | | |
| o California | $2,755 | $2,160 | -$295 |
| o Michigan | 1,194 | 987 | -207 |
| o Oklahoma | 420 | 342 | -78 |
| o Texas | 1,977 | 1,501 | -476 |
| o Indiana | 784 | 634 | -50 |
| o ~~Alaska~~ FLORIDA | 1,001 | 818 | -183 |
| o New Jersey | 839 | 704 | -135 |

* Based on historic tax and funding shares.

WINDFALL TO EIGHT BIG CITY TRANSIT SYSTEMS PAID FOR BY NON-METROPOLITAN AND RURAL HIGHWAY USERS

| City* | Additional Taxes Paid 1984-88 | Additional Funds Received, 1984-88 | Gain or Loss, 1984-88 |
|---|---|---|---|
| | | (millions) | |
| o New York City | $238 | $1,336 | +$1,098 |
| o Boston | 57 | 352 | +295 |
| o Philadelphia | 68 | 341 | +273 |
| o Chicago | 129 | 539 | +410 |
| o Detroit | 88 | 104 | +16 |
| o Baltimore | 26 | 55 | +29 |
| o Pittsburg | 36 | 88 | +52 |
| o St. Louis | 39 | 60 | +21 |
| | $681 | $2,875 | +$2,194 |

* Based on DOT formulas in proposed Administration transit legislation.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

November 12, 1982

TO: KMD

FROM: NJR

Per Billy Pitts through J.L., Democratic lame duck priorities:

- o FTC reauthorization
- o Nuclear Waste
- o Colorado Basin
- o some kind of domestic content
- o huge housing bill
- o 5¢ user fee
- o Jobs bill
- o Appropriations: Maybe Labor - HHS
  Agriculture
  Continuing that includes youth, conservation, and expanded jobs training

Leo Diehl told J.L. they plan to be out by December 18.

cc: MBO

MEMORANDUM

TO: Rob Leonard
John Salmon

FROM: Pam Pecarich

DATE: November 16, 1982

The attached is one approach to compromising on the Highway Trust Fund language. The Joint Committee on Taxation staff has also reviewed. If it seems promising to you, I think we should sit down with someone from the Department of Transportation (sworn to secrecy) and Ward to see if the list approach in #1 is viable.

Please advise as soon as possible so we can have this all done by November 29.

Attachment

# OPTIONS ON HIGHWAY TRUST FUND LANGUAGE IN H.R. 7092 RE EXPENDITURES

1. Control of Expenditure Purposes

List expenditure purposes, preferrably with statutory references, to replace (c)(1), of H.R. 7092. (See attached list from Department of Transportation.)

Comments: A similar approach is used in part of the Airport and Airway Trust Fund language. The language could be drafted to (1) specify programs as they presently exist (2) permit spending for the general purposes cited or (3) allow more flexibility than (1) but less than (2) by permitting expenditures for the programs authorized under the '78 Act and the new bill without freezing the terms of these programs.

While not as effective as H.R. 7092, the third option might be a viable compromise. Public Works would need conforming amendments only when new programs or purposes were authorized out of the Trust Fund that did not fall generally within existing programs.

2. Control of Expenditure Amounts

Revise the Byrd amendment to:

(a) specify timing of the estimate by Department of Treasury (e.g., annually, by X date)

(b) clarify that Secretary's estimate is to be made on cash basis for the coming fiscal year (and 4 subsequent years)

(c) clarify treatment of interest accrued

(d) require Treasury to certify the estimate to Committee on Ways and Means

(e) require update of estimate to be done and forwarded to Committee on Ways and Means if a new authorization bill is passed after the initial estimate has been made

(f) specify contents of the estimate to be forwarded to the Committee

Federal Highway Administration

Authorizations 1/

FY 1979, FY 1980, FY 1981, and FY 1982
Pursuant to the Surface Transportation Assistance Act of 1978-Title I & II
Public Law 95-599, Approved November 6, 1978

December 2

(Millions of Dollars)

| Section | Fund | Authorizations | | | | Financed From- Trust Fund | | | | Financed From- General Fund | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY 1979 | FY 1980 | FY 1981 | FY 1982 | FY 1979 | FY 1980 | FY 1981 | FY 1982 | FY 1979 | FY 1980 | FY 1981 | |
| 102(a) | Interstate: Construction | | 3,250 | 3,500 | 3,500 | | 3,250 | 3,500 | 3,500 | | | - | |
| 104(b)(1) | 1/2% Minimum | | 125 | 125 | 125 | | 125 | 125 | 125 | | | | |
| 105 | RRR | | 175 | 175 | 275 | | 175 | 175 | 275 | | | | |
| | Subtotal | | 3,550 | 3,800 | 3,900 | | 3,550 | 3,800 | 3,900 | | | | |
| 104(a)(1) | Consolidated Primary | 1,550 | 1,700 | 1,800 | 1,500 | 1,550 | 1,700 | 1,800 | 1,500 | | | | |
| 104(a)(1) | Rural Secondary | 500 | 550 | 600 | 400 | 500 | 550 | 600 | 400 | | | | |
| 104(a)(2) | Urban System | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | | | | |
| 104(a)(3) | Forest Highway | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | | | | |
| 104(a)(4) | Public Lands | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | | | | |
| 104(a)(5) | Forest Develop. Rds. & Trs. | 140 | 140 | 140 | 140 | | | | | 140 | 140 | 140 | |
| 104(a)(6) | Public Lands Develop. Rds. & Trs. | 10 | 10 | 10 | 10 | | | | | 10 | 10 | 10 | |
| 104(a)(7) | Park Roads & Trails | 30 | 30 | 30 | 30 | | | | | 30 | 30 | 30 | |
| 104(a)(8) | Parkways 2/ | 45 | 45 | 45 | 45 | | | | | 45 | 45 | 45 | |
| 104(a)(9) | Indian Reservations Rds. & Bridges | 83 | 83 | 83 | 83 | | | | | 83 | 83 | 83 | |
| 104(a)(10) | Economic Growth Center | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | | | | |
| 104(a)(11) | Beautification Administration | 1.5 | 1.5 | 1.5 | 1.5 | | | | | 1.5 | 1.5 | 1.5 | |
| 104(a)(12) | Territorial Programs: | | | | | | | | | | | | |
| | (A) Virgin Islands | 5 | 5 | 5 | 5 | | | | | 5 | 5 | 5 | |
| | (B) Guam | 5 | 5 | 5 | 5 | | | | | 5 | 5 | 5 | |
| | (C) American Samoa | 1 | 1 | 1 | 1 | | | | | 1 | 1 | 1 | |
| 104(a)(13) | Northern Mariana Islands | 1 | 1 | 1 | 1 | | | | | 1 | 1 | 1 | |
| 104(a)(14) | Northeast Corridor Demo. | 45 | 40 | | | | | | | 45 | 40 | | |
| 104(a)(15) | Great River Road - Off System | 10 | 10 | 10 | 10 | | | | | 10 | 10 | 10 | |
| 104(a)(15) | Great River Road - On System | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | | | | |
| 104(a)(16) | Control of Outdoor Advertising | 30 | 30 | 30 | 30 | | | | | 30 | 30 | 30 | |
| 104(a)(17) | Safer Off System Roads | 200 | 200 | 200 | 200 | | | | | 200 | 200 | 200 | |
| 104(a)(18) | Access Highways To Lakes | 15 | 15 | 15 | 15 | | | | | 15 | 15 | 15 | |
| 104(b)(2) | Urban High Density ? | 85 | | | | 85 | | | | | | | |
| 126(f) | Carpool/Vanpool Projects | 1 | 1 | 1 | | 1 | 1 | 1 | | | | | |
| 126(f) | Energy Conservation Grants ? | 3 | 9 | | | 3 | 9 | | | | | | |
| 128(a) | Bridges on Dams | 15 | | | | 15 | | | | | | | |
| 1'" | Multimodal Concept | 9 | | | | 9 | | | | | | | |
| | Railroad Hwy. Cross. Demo. | 70 | 90 | 100 | 100 | 46.67 | 60 | 66.67 | 66.67 | 23.33 | 30 | 33.33 | |
| | Overseas Highways | 8.8 | | | | 8.8 | | | | | | | |
| 138(c) | Appalachian Deve. Highway | 1.8 | | | | | | | | 1.8 | | | |
| 141(i) | Bicycle Program | 20 | 20 | 20 | 20 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | |
| 149 | Bloomington Ferry Bridge | .2 | | | | .2 | | | | | | | |
| 150(c) | Access Control Demo. | 10 | 20 | | | 10 | 20 | | | | | | |
| 152 | Bypass Highway ? | 5 | 25 | 20 | | 5 | 25 | 20 | | | | | |
| 154(b) | Integrated Motorist Inf. | 1.5 | 2.5 | 26 | | 1.5 | 2.5 | 26 | | | | | |
| 162(d) | Impact of Unit Train | .35 | | | | | | | | .35 | | | |
| 170(1) | Nat'l Alcohol Fuels Comm. | 1.5 | | | | | | | | 1.5 | | | |
| | TOTAL - Title I | 3,827.65 | 7,508 | 7,867.5 | 7,420.5 | 3,169.17 | 6,851.5 | 7,247.67 | 6,800.67 | 658.48 | 656.5 | 619.83 | 6 |
| 02(1) | Section 402 - NHTSA | 175 | 175 | 200 | 200 | 175 | 175 | 200 | 200 | | | | |
| 02(2) | Section 403 - NHTSA | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | | | | |
| 02(3) | Section 402 - FHWA | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | | | | |
| 02(4) | National Max. Speed Limit | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | | | | |
| 02(4) | Speed Limit Incentive Grant | - | 17.5 | 17.5 | 17.5 | - | 17.5 | 17.5 | 17.5 | | | | |
| 02(5) | Section 403 - FHWA | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | | | | |
| 02(6) | Bridge Reconstruction & Replace. | 900 | 1,100 | 1,300 | 900 | 900 | 1,100 | 1,300 | 900 | | | | |
| 02(7) | Pavement Marking | 65 | 65 | 65 | - | 65 | 65 | 65 | - | | | | |
| 02(8) | Elim. of High Hazard Location | 125 | 150 | 150 | 200 | 125 | 150 | 150 | 200 | | | | |
| 02(9) | Schoolbus Driver Training | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | | | | |
| 02(10) | Innovative Project Grants | - | 5 | 10 | 15 | - | 5 | 10 | 15 | | | | |
| 03(a) | Rail-Highway Crossings | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | | | | |
| 10 | Accident Data | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | | | | |
| 9(c) | Highway Safety-TV Demo | 6 | | | | 6 | | | | | | | |
| 9(h) | Highway Safety-TV Campaign ? | 10 | | | | 10 | | | | | | | |
| | TOTAL - Title II | 1,613.5 | 1,845 | 2,075 | 1,665 | 1,613.5 | 1,845 | 2,075 | 1,665 | - | - | - | |
| | GRAND TOTAL | 5,441.15 | 9,353 | 9,942.5 | 9,085.5 | 4,782.67 | 8,696.5 | 9,322.67 | 8,465.67 | 658.48 | 656.5 | 619.83 | 615 |

1/ FY 1983 and subsequent years authorizations as follows:

| Fund | FY 1983 | FY 1984 - 1990 |
|---|---|---|
| Interstate Construction | $3,200 | $3,625 each year |
| Interstate 1/2% Min. | 125 | - |
| Interstate Resurfacing | 275 | - |

2/ Parkways on Federal-aid system financed entirely from Trust Fund.

# United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
(202) 224-4718
WASHINGTON, D.C. 20510

November 18, 1982

Honorable Drew Lewis
Secretary of Transportation
U.S. Department of Transportation
400 Seventh Street, SW
Washington, D.C. 20590

Dear Drew:

I want you to know that I can be counted as one who supports your proposal to increase the Federal excise tax on motor fuels. The highways, bridges and urban roads of this nation are in poor condition and the deterioration continues to escalate at a rapid rate. The Federal government has joined as a partner with State and local government in road construction since 1917 and it is a partnership that needs to be strengthened today. The Federal gasoline tax which has been 4 cents per gallon since 1959 should be increased.

However, by this letter I also want to express some reservations about the details of your proposal and to suggest an alternative that warrants your consideration. It is my understanding that your plan would channel revenues from any gasoline tax increase into the Federal Highway Trust Fund and from there into the existing highway grant programs authorized by the Congress. In light of the current fiscal condition of many State and local governments and the desire to use new tax revenues to stimulate employment in the construction industry, we should consider channels other than the existing grants and trust fund.

Virtually all of the highway grant programs now authorized require that Federal funds be matched by funds from State and local governments. Facing low reserves or actual deficits, many State and local governments are not in a position to match a large new infusion of Federal funds. Thus the revenues from a Federal tax increase could not be committed to construction and maintenance immediately.

A second objection to the use of existing highway grant programs as a channel for the new tax revenues is that Congress would continue to determine the priorities among highway projects when these decisions would be better returned to State and local officials. By allocation of the new revenues among 30 different Federal grants and by manipulation of matching rates and distribution formulas, Congress would surely perpetuate its control over the nation's highways. The appropriate mix of spending across the range of transportation programs from interstates to primary and secondary highways to bridges and urban roads is a decision that should now be turned back to State and local governments.

In the matter of job creation, maintenance rather than new construction promises more rapid stimulation of additional employment. And in most States highway maintenance rather than new construction is the pressing problem. However, the existing Federal highway grant programs are principally oriented toward new construction.

Finally, and as you know, Federal grant dollars for any purpose, but especially highway dollars, come with many strings attached. At a time when the need for highway maintenance and new jobs is great, some of the conditions attached to existing grant programs are diverting precious dollars from high priorities to less important public purposes.

In his State of the Union Message last January, President Reagan recognized the many failings of the categorical aid system, failings similar to those mentioned above, and recommended a new Federal partnership for the nation. Part of his Federalism initiative included the return of several highway grant programs and a portion of the Federal gasoline tax to the States. In the spirit of that initiative but reflecting the need for additional revenues committed to highway construction, I would offer an alternative to the proposal you have made. The following points constitute a brief outline of this alternative.

1. The Federal government would increase the highway motor fuel excise tax by an amount ranging from 5 cents to 7 cents per gallon. This would bring the Federal tax to a total of 9 to 11 cents. The precise amount of the increase would be determined through consultations with State and local officials.

2. Rather than channel these new revenues through the trust fund and existing grant programs, the Federal government would make the following offer to the States. Any State increasing its own gasoline tax above current levels would receive a credit for that increase against the Federal tax. The Federal tax would be reduced by the amount of the State increase. For instance and assuming that the Federal tax was raised to 9 cents,

if a State followed a nickel increase in the Federal tax with a nickel increase in its own tax, then the new Federal nickel would not be collected in that State.

3. The amount of the credit for State increases would be limited to no more than the amount of the increase adopted at the Federal level -- 5, 6 or 7 cents. At a minimum the Federal government would continue to collect 4 cents per gallon in every State and more in those States which chose to forego increases of their own.

4. The only condition attached to the Federal credit would be that revenues from the State tax increases be used for transportation programs. Transportation would be broadly defined.

5. Revenues flowing to the Federal government from the existing 4 cent tax, taxes on trucks and truck parts and taxes on other highway users would be devoted to a limited set of purposes -- completion and maintenance of the interstate highway system, mass transportation and highway safety.

6. From 1 to 2 cents of the existing 4 cents per gallon tax on gasoline would be put in a trust fund for mass transit.

7. Matching requirements for interstate construction and the interstate 4R program would be dropped. The Federal government would provide 100% of the financing for interstate completion and maintenance.

8. All other highway grant programs would be discontinued for those States choosing to take advantage of the credit option. States not taking the credit could continue to receive funds through the existing highway grant programs. Funds for these grants would come from a pool of revenues collected in those States which did not choose the credit option.

9. The credit would have one retroactive feature. 26 States increased their gasoline taxes in 1982. For those States an immediate credit of 1 cent would be allowed against the Federal increase. These States could receive the full Federal credit by increasing their own taxes by an amount 1 cent less than the Federal increase.

I believe that this alternative has the potential to satisfy both the President's desire for a new partnership with the States and the need for a rapid infusion on new funds for highway construction and maintenance.

Mr. Secretary, you have done the country a great service by calling attention to the critical maintenance problems affecting the public infrastructure. As a member of the Senate Finance Committee, I look forward to supporting your efforts to increase the highway user fee. I hope that the alternative program which I have described receives your attention and that we can work together in the coming weeks to assure adequate financing for the nation's highways.

Sincerely,

Dave Durenberger
United States Senate

DD:jp

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

November 22, 1982

MEMORANDUM FOR THE PRESIDENT

FROM: Drew Lewis

SUBJECT: Revised Transportation User Fee Program

The proposed 5 cent highway user fee would generate $5.5 billion per year in revenue for the Highway Trust Fund. Most of this amount would provide essential funding for the federal share of the investment needed to stop the deterioration of our highway and bridge system and to complete the interstate system.

Under the revisions to the plan you requested, Mr. President, a block grant program would also be established to make allocations to the 50 states with pro-rata distributions to larger cities. The block grants could be used for either mass transit capital expenditures or highway programs, depending on the needs of the recipient.

## Highway Funding

The plan calls for 4 cents to be used to repair and improve our nation's highway infrastructure and to complete the Interstate System. The new money would not be used to repair or improve the secondary and urban roads, which are more appropriately the responsibility of the States.

## New Block Grant Program

Under the plan, the one cent for mass transit would be used to establish a block grant program. $1.1 billion per year would be returned to the cities and states on the basis of formula allocations.

Revenues for the block grant program would be raised from each user group according to that group's percentage of miles traveled in urban areas. Since combination trucks account for only 2.6% of the miles travelled on urban roads they would be charged only for that portion.

Cities having populations greater than 200,000 would receive their own formula block grants. The formula would pass the remainder in a block grant to the states.

In those cases where recipients of block grants do not elect to spend money for mass transit capital needs, the funding could be used for highway and bridge programs.

It is significant to note that the manner in which we have charged the one cent urban block grant to urban highway users should be of significant benefit in eliminating at least one objection to funding of mass transit from the Highway Trust Fund, already expressed by operators of large trucks. It is also important to note that expenditures on mass transit, if they occurred, would be at the option of the state or local government. The proposal is consistent with your user charge philosophy. The users of urban roads would directly benefit from urban mass transit expenditures because traffic on the roads in most cases would be reduced by those who chose to travel on the mass transit system.

## New Federalism

The New Federalism program will be developed in detail in 1983. Expenditures from the Highway Trust Fund for urban, secondary and related programs can then be returned to the states together with the funding to pay for them until the states can develop their own sources of revenue. The amount anticipated for this new federalism initiative would be $2.2 billion per year and was set forth in some detail in the attached Memorandum to the President responding to questions raised at the November 10th meeting of the Cabinet Council on Economic Affairs.

## Approval

If this revised plan meets with your approval, the Department of Transportation is prepared to move forward expeditiously with legislation that would be considered in the lame duck session of Congress. If the program meets with the favorable reception that is anticipated, and we have a bill from Congress before the end of the session, it would be possible to contract for expenditures of $3 billion for highway construction and repair within 90 days from the time of signature. The collection of revenue from the user charge would begin by April, 1983 or could be delayed somewhat longer, if you deem that to be appropriate.

Approve RR    Disapprove ________

Attachment

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

11/23

NOT FINAL (per dw) withheld by OMB

November 22, 1982

MEMORANDUM TO: RICHARD DARMAN

FROM: DAVID A. STOCKMAN

SUBJECT: Lewis Memo on Revised Transportation User Fee Program

Highway Funding

Lewis has allocated four cents of the 5-cent increased gas tax entirely to the Interstate, primary highways, and primary bridges, because the President does not wish to increase funding for non-Federal interest programs. Thus funding for primary bridges increases to $1.7 billion a year, an amount greatly in excess of any needs estimate. At the historic Federal share of primary bridge needs, $325-350 million would be required. The program is thus $1 billion/year over what is necessary for 100% Federal funding. Congress would surely allocate these funds to non-primary bridges.

New Block Grant Program

Lewis states that revenues for the block grant program would be generated by user charges assessed according to miles travelled on Federal aid highways (these include secondary roads and urban streets as well as interstates and primaries) in urban areas. Lewis intends, however, no change in the current system, which applies the tax at the refinery level and then assumes it was generated in accordance with vehicle miles travelled. There would be no special tax on urban travellers.

Highway revenues are allocated to the states by formulas that vary for each part of the program. These formulas include mileage in urban areas as well as non-urban areas, and Lewis does not plan to change this aspect of the allocation formulas.

Under the Lewis plan urban areas would benefit twice--the states would receive an allocation of four cents of the tax based on both urban and non-urban mileage, and urban areas would receive 100% of one cent of the tax, only a portion of which can be assumed to be generated in these areas. Thus the implication in the Lewis memo that the mass transit program is funded by user fees on urban drivers is misleading. It is a clear transfer of funds from non-urban taxpayers to urban taxpayers.

While a block grant for mass transit may be a good idea, it should include all mass transit funds, not just incremental funds from a tax increase. Under the Lewis approach we would have a tax increase, a block grant, and the current Federal categorical program, to which Congress has been considering revisions.

New Federalism

Lewis proposes a block grant for about $2.2 billion a year in non-Federal interest programs. The Administration proposed not funding these programs in April 1981, but the Congress did not agree. Lewis is proposing to fund these programs at the Federal level and then turn back the programs and the tax sources. Our experience with last year's Federalism initiative suggests that this turn-back proposal is unlikely to succeed unless states are held harmless, which would cost the Federal government more than $2.2 billion. Furthermore, with a 5-cent tax increase, Congress is likely to increase funding for these programs and thus the amount of the tax we would have to turn back to get rid of them.

User Fees and Taxes

- User fees are taxes if the Federal government determines the program level and then taxes to finance it. A permanent increase in the motor fuels tax increases Federal taxes and Federal spending. It reduces the Federal government's ability to raise taxes to reduce the deficit, either now or in the future. It thus makes our fiscal problem worse rather than better.

Infrastructure Needs

- The deteriorating condition of the nation's infrastructure is probably exaggerated. Estimates of bridge "needs," for example, include widening all two-lane bridges on four-lane highways to four lanes whether or not traffic requires it. Furthermore, Federal policy has encouraged new construction rather than repair and maintenance.

The Federal Responsibility

- Only since 1978 has the Federal government provided funds for Interstate repair and maintenance; that was originally intended to be a state responsibility. The Federal government has, however, assisted the states with their primary system through most of this century; the historic Federal share is about 43 percent. Only in the 1970s did the bridge program--which under current law provides funding for all bridges--increase rapidly.

Alternatives

1. If the objective is a rapid buildup in highway expenditures, the Administration can increase its obligation limitations for expenditures without increasing the gas tax at all. The states have contract authority of almost $6 billion that we are not permitting them to spend. This amount has already been charged against the Highway Trust fund.

2. If the objective is more Federal spending on the Interstate, primary roads, and primary bridges:

a. A larger program than we planned in the 1983 budget could be undertaken without increasing the gas tax. This would provide funds for the Interstate equal to the Lewis program and fund the primary system and primary bridges at the historic Federal share (43%) of a reasonable needs level. Non-Federal interest programs would not be funded.

b. The Federal tax could be increased one cent or two cents. The entire DOT Federal-interest program could be funded with the $11B from a two cent increase. Even a one-cent increase would increase Federal assistance for the primary system and primary bridges considerably above the historic Federal role given needs estimates.

Each of these options (as well as a combination of 1 and 2a or 2b) is preferable to taxing automobile drivers to pay for an increase in Federal mass transit funding of $1.1 billion a year (one cent of the proposed five cent increase) and increasing the tax (two cents of the five cents) to fund programs that are not a Federal responsibility on the grounds that we will later return the programs and the funding source to the states. Finally, a crash effort to pass the Lewis proposal during the lame duck session would preclude desirable program reforms, such as changes in cost allocation for the entire time of the authorizing legislation.

Alternatives for the President

1. Increase in 1983 obligation limitation; no tax increase.

2a. Increase Federal-interest program level without gas tax increase.

2b. Increase Federal-interest program; fund by

-- 1-cent tax increase

-- 2-cent tax increase

3. DOT program.

## HIGHWAY/MASS TRANSIT FUNDING, 1984-88
($ in millions)

| | DOT Proposal | Maximum Program No Tax Increase | One Cent Tax Increase | Two Cent Tax Increase |
|---|---|---|---|---|
| **Federal Interest** | | | | |
| Interstate | 37050 | 37050 | 37050 | 37050 |
| Interstate Transfers | 3250 | 2750 | 2750 | 3250 |
| Primary | 13000 | 7250 | 10250 | 13000 |
| Primary Bridges | 5700 | 1750 | 3750 | 5700 |
| Other | 1500 | 750 | 1250 | 1500 |
| | 60500 | 49550 | 55050 | 60500 |
| **State and Local Interest** | | | | |
| Secondary | 2000 | 0 | 0 | 0 |
| Urban | 4000 | 0 | 0 | 0 |
| Safety | 1950 | 0 | 0 | 0 |
| Local Bridges | 2550 | 0 | 0 | 0 |
| Other | 1370 | 0 | 0 | 0 |
| Mass Transit | 5500 | 0 | 0 | 0 |
| | 77870 | 49550 | 55050 | 60500 |

THE WHITE HOUSE

WASHINGTON

November 22, 1982

MEMORANDUM FOR RICHARD G. DARMAN

FROM: RICHARD S. WILLIAMSON RSW/AFH

SUBJECT: REVISED TRANSPORTATION USER FEE PROGRAM

---

I have reviewed Drew Lewis' memorandum to the President and have two comments which I feel should be brought to the President's attention.

1. On page 2, Drew notes that "the New Federalism Program would be developed in detail in 1983." This may make sense in a perfect world, but I suspect that we will only have one bite at the apple in terms of Congressional consideration of the user fee proposal. That opportunity is likely to be present only during the lame duck session of Congress later this year.

   Accordingly, I would strongly recommend that we incorporate a Federalism component into the transportation proposal that is sent to the Congress. In this regard, Senator Durenberger's proposal has merit. He proposes the following:

   a. That the federal government make the following offer to the states. Any state increasing its own gasoline tax above current levels would receive a credit for that increase against the federal tax. The federal tax would be reduced by the amount of the state increase. For instance, assuming that the federal tax was raised to nine cents, if a state followed a nickel increase in the federal tax with a nickel increase in its own tax, then the new federal nickel would not be collected in that state.

   b. The only condition attached to the federal credit would be that revenues from the state tax increase be used for transportation programs. Transportation would be broadly defined.

c. For those states chosing to take advantage of the credit option, all other federal highway programs -- except interstate construction and maintenance -- would be discontinued. States not taking the credit would continue to receive funds through the existing highway grant programs. Funds for these grants would come from a pool of revenues collected in those states which did not choose the credit option.

d. In addition, from one to two cents of the existing four cents per gallon tax on gasoline would be put in a trust fund for mass transit.

Further details on the Durenberger proposal can be found in the attached letter from Senator Durenberger to Drew Lewis.

2. Drew's memo also states that "Cities having populations greater than 200,000 would receive their own formula block grants which would be deducted from the individual state's allocation." If a decision is made to proceed with a block grant, I would recommend that it be drafted as a grant directly to the states. We can be assured that if the Administration proceeds with a block grant to cities of 200,000 or more in population, Congress will substantially lower that population threshhold. For bargaining purposes, I think we would be well advised to start off with as "pure" a block grant as possible.

Please advise what disposition and action you are taking on the above matters.

The President has seen

THE WHITE HOUSE

WASHINGTON

November 23, 1982

MR. PRESIDENT

Attached is the revised decision memorandum concerning the Transportation User Fee proposed by Secretary Drew Lewis. This matter will be discussed at today's Cabinet meeting (now that the agenda has been revised).

The Transportation User Fee proposal was reviewed by: Ken Duberstein, who ok'd it; Fred Fielding reviewed it and had no legal objection; David Stockman will make his comments at the Cabinet meeting; and, Rich Williamson provided the attached memo discussing federalism considerations.

With regard to Rich Williamson's comments, I have reviewed them with Drew Lewis who advises that the points Rich and Senator Durenberger made have been considered and can be accommodated as the details of the User Fee package are developed over the next few days.

Craig

Craig L. Fuller

11/23/82

Note:

The President approved asking that he be advised and provided with an opportunity to review the distribution of the funds. He indicated he did not want to be trapped into funding mass transit projects into the future.

CF

Cabinet meeting — Nov. 30, [illegible]

THE WHITE HOUSE
WASHINGTON

Gene Atkinson
Tom Hagedorn
John Rousselott
Tom Evans

need jobs

good supporters

Drew Lewis —
320,000 jobs — may be offset
by some loss of jobs elsewhere
not focus of bill however.

States, rural funded out of
normal channels.

DL thinks we should take initiative
& have our own bill. — w/o Xmas tree
additions.

Dave S —

Long term solution to short term problem.

1/2 goes to mass transit, state & local roads, bridges etc — any thing except Fed high way system.

---

$3 bil spend out thru 80's
$25 bil money raised

---

Ed M —

Is in favor of this —

DTR

In favor - part of pkg.

Mac B — in favor

---

Released at 12:15 P.M.

---

file
from Drew Lewis

● indicates support for user fee proposal

| :TION 'FICE | ACTION NEEDED | TIME FRAME |
|---|---|---|
| | DAY ONE (The President Decides)<br>PHASE ONE: House & Senate Leadership | |
| S-1 | *Call Howard Baker● (224-2675) Majority Leader and ask for his advice on how to move the bill in the lame duck session:<br>• How will you go about coordinating this with Senior White House staff?<br>• Will one Committee (Finance) take the lead?<br>• Should I meet with you and the affected Committee Chairmen?<br>• How should I handle the House?<br>• Who should I call for help?<br>*NOTE: If circumstances permit, it would be best for this conversation to occur face to face. | When President decides |
| S-1 | Call Paul Laxalt● (224-3542) and ask for his advice on how to move the bill in the lame duck (meaning the larger political picture, e.g., jobs, Democrats and especially vis a vis the House.) | After talking to Baker |
| S-1 | Call Bob Michel● (225-0600) Republican Leader and ask for his advice on how to move the bill in the lame duck:<br>• Should I call O'Neill and ask him to move a clean bill for us?<br>• Will one Committee (Ways & Means) take the lead?<br>• What should I do next? | After talking to Baker & Laxalt |
| S-1 | *Call Bob Dole● (224-6521) Finance Committee and ask him how we can move the bill in a mechanical sense through the Senate:<br>• How do we keep the bill together as a package?<br>• How should I handle the House?<br>*NOTE: If possible, this should be a face to face meeting. | After completing above calls |
| S-1 | Call Speaker O'Neill● (225-5414) and ask for his support in getting our user fee package through the House in the lame duck:<br>• Which Committee will take the lead?<br>• Should I meet with you and the affected Committee Chairmen?<br>• What is your advice as to what I should do? | After completing above calls. |
| S-1 | *Call Dan Rostenkowski● (225-4061) Ways & Means and ask how we can move a clean bill in the lame duck.<br>• What will be your schedule?<br>• How will he deal with other affected committees? | After completing above calls |
| | At this point we should know whether lame duck action is possible and roughly how it can be accomplished. From this point we can start selling | |

SECRETARIAL ACTION

DAY ONE:
Presidential Decision

Phase One:
Contacts to Senate and House Leadership

DAY TWO:
(First day of Lame Duck)

Phase One:
Contacts to Committee Leadership:

Call Steve Symms (4-6142) E&PW; Finance Committees

Call Jim Howard (5-4671) Public Works

Call Barber Conable (5-3615) Ways & Means

Call Bob Packwood (4-5244) Finance; Commerce

Call Robert Byrd (4-4024) Minority Leader

Call Bob Stafford (4-5141) E&PW

Call Pete Domenici (4-6621) Budget; E&PW

Call Gene Snyder (5-3465) Public Works

Call Jake Garn (4-5444) Banking

Call Dick Lugar (4-4814) Banking

Call Russell Long (4-4623) Finance; Commerce

Governmental Affairs set up meeting with House/Senate Committee Leadership.

Governmental Affairs provide appropriate staff with legislative materials.

DAY TWO:
Phase Two:

Other Key Congressional Calls:

Jim Jones (5-2211) Budget

Bud Shuster (5-2431) Budget; Public Works

Jennings Randolph (4-6472) E&PW

Del Latta (5-6405) Budget

Ted Stevens (4-2708) Senate Whip

Trent Lott (5-0197) Republican Whip

DAY TWO:

Phase Three:

Interest Groups:

The Secretary, FHWA Administrator and UMTA Administrator--meetings with:

Unions
Highway-related interest groups
Transit-related interest groups

Governmental Affairs meeting with Governmental Affairs interest groups.

DAY THREE:

Phase One:

Broaden Congressional Support

Jack Kemp (5-5265) Budget
Guy Vander Jagt (5-3511) Ways & Means
Don Clausen (5-3311) Public Works
Glenn Anderson (5-6676) Public Works
Lloyd Bentsen (4-5922) Finance, E&PW
Ted Kennedy (4-4543)
Dave Durenburger (4-3244) Federalism
Fritz Hollings (4-6121) Budget, Commerce
Bill Archer (5-2571) Ways & Means
Bill Frenzel (5-2871) Ways & Means
Jim Martin (5-1976) Ways & Means
Dick Schulze (5-5761) Ways & Means
Bill Gradison (5-3164) Ways & Means
John Rousselot (5-4206) "
Phil Crane (5-3711) "
Jack Danforth (4-6154) Finance, Commerce
Howard Cannon (4-6244) Commerce
Al D'Anato (4-6542) Banking
Bill Roth (4-2441) Finance
Mark Andrews (4-2043) Approp.
Mark Hatfield 94-3753) Approp.
Larry Coughlin (5-6111) Approp
Lawton Chiles (4-5274) "
Bill Lehman (5-4211) "
John Dingell (5-4071) Energy & Commerce
Jim Broyhill (5-2576) "

Governmental Affairs provide appropriate staffers with legislative material.

DAY FOUR:
Phase One:
Congressional contact to remainder of House and Senate.

DAY 5:
Governmental Affairs set up meetings with other interest groups (Secretary, FHWA and UMTA Administrators).

11/23
-received prior to Cabinet but not distributed
CF

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

NOV 23 1982

MEMORANDUM TO: Richard G. Darman
Assistant to the President
Deputy to the Chief of Staff

FROM: Drew Lewis

SUBJECT: Stockman Memo on DOT's Revised Transportation User Charge Program

This is to comment upon statements made by Dave Stockman in his November 22 memo to you on our revised user charge program:

(1) Stockman Statement - At the historic Federal share of primary bridge needs, $325-350 million would be required. The program is thus $1 billion/year over what is necessary for 100% Federal funding.

DOT Comment - The DOT proposal would provide between $1.0 and $1.2 billion per year to primary and high cost bridges, not the $1.7 billion OMB suggests. At historic federal shares for these bridges, $1.3 billion per year in federal funds would be required each year to amortize the needs by 1990, and that would not cover further deterioration occurring over the period. $510 million in federal funds each year would be available to the states to meet needs on non-primary, non-high cost bridges.

(2) Stockman Statement - Lewis intends no change in the current system, which applies the tax at the refinery level and then assumes it was generated in accordance with vehicle miles travelled. There would be no special tax on urban travellers.

DOT Comment - That statement is correct. There is no realistic method of imposing a "special tax" on urban travellers. Assessing each user group for its portion of the one cent according to its share of travel in urban areas is as close as one can come in this case to properly implementing the user charge principle.

(3) Stockman Statement - Under the Lewis plan urban areas would benefit twice -- the states would receive an allocation of four cents of the tax based on both urban and non-urban mileage, and urban areas would receive 100% of one cent of the tax, only a portion of which can be assumed to be generated in these areas...It is a clear transfer of funds from non-urban taxpayers to urban taxpayers.

DOT Comment - Those statements are incorrect. While it is true that there are non-urban automobile, pick-up and van drivers who will contribute to the transit block grant program, it is equally true that there are urban drivers who will contribute (and have been contributing for years) to the non-urban highway programs. In fact, urban drivers contribute an estimated 55 percent of the revenues to the Highway Trust Fund and without the proposed transit block grant program only 44 percent of the spending would occur in urban areas (1985 projections). With the proposed program that amount would increase to 48 percent. Thus, rather than creating an inequitable user charge situation, our proposal would partially rectify one.

(4) Stockman Statement - While a block grant for mass transit may be a good idea, it should include all mass transit funds, not just incremental funds from a tax increase. Under the Lewis approach we would have a tax increase, a block grant, and the current Federal categorical program, to which Congress has been considering revisions.

DOT Comment - This comment is inaccurate. It ignores the fact that we have formally proposed to the Congress (and have argued for) a block grant approach to virtually all of our mass transit programs. This principle has been largely accepted in the relevant committees in both Houses. In fact, part of the reason for making this new program a block grant is to make it consistent with our overall approach.

(5) Stockman Statement - Our experience with last year's Federalism initiative suggests that this turn-back proposal is unlikely to succeed unless states are held harmless.

DOT Comment - The statement that a Federalism program will not succeed unless the states are held harmless is clearly correct. We have carefully defined the program responsibilities and the revenues to be turned back so that they are equivalent, and the states will be "held harmless". It is interesting to note that in the table attached to the Stockman memo he apparently envisions turning the programs back to the states without any funding.

(6) Stockman Statement - Only in the 1970s did the bridge program -- which under current law provides funding for all bridges -- increase rapidly.

DOT Comment - The Federal role in interstate repair and maintenance and in bridge replacement and rehabilitation did undergo expansion in the 1970s in recognition of a serious national problem that was not being adequately addressed by the states. The Federal role on the primary system is larger than OMB indicates: the estimate of a 43 percent federal share is based on data more than ten years old. Data collected from the states for 1980 and 1981 indicated a federal share of about 54 percent.

(7) Stockman Statement - Finally, a crash effort to pass the Lewis proposal during the lame duck session would preclude desirable program reforms, such as changes in cost allocation for the entire time of the authorizing legislation.

DOT Comment - This statement is inaccurate in two respects. First, the leverage for achieving cost reallocation (involving charging large trucks a greater share of the cost responsibility) is to legislate greater uniformity in national size and weight standards. We have served notice on all constituencies that one will not occur without the other. Even were we to move only a user charge increase in the lame duck session, we could still subsequently use size and weight to obtain cost reallocation. Second, we have talked to the leadership in both Houses, and we have a good chance of achieving all three -- the increase, the cost reallocation and the size and weight changes. In fact, given the momentum building on the Hill, this may be the best time to gain all three.

THE WHITE HOUSE

WASHINGTON

C.F. 09841955 11/23/82 notes from Cabinet meeting File CF

BRIEFING PAPER FOR THE PRESIDENT (REVISED)

MEETING WITH THE CABINET
DATE: NOVEMBER 23, 1982
TIME: 11:15 A.M. (60 MINUTES)
LOCATION: CABINET ROOM

FROM: CRAIG L. FULLER CF

I. PURPOSE

This meeting of your full cabinet has been convened to provide Drew Lewis and Dave Stockman to make some final points concerning the "Transportation User Fee" proposal previously discussed. Additionally, the NSC will provide a briefing to the Cabinet on the MX basing decision.

II. BACKGROUND

Since the last discussion of the Transportation User Fee, the Department of Transportation and OMB have discussed an alternative to the mass transit funding. A block grant approach has been developed and will be described by Drew Lewis. Dave Stockman plans to make a brief presentation at the meeting.

III. PARTICIPANTS

A final list will be attached to the agenda.

IV. PRESS PLAN

White House photographer only.

V. SEQUENCE

Call upon Secretary Lewis for a description of his revised Decision Memorandum on the Transportation User Fee. Following the User Fee discussion an NSC briefing on the MX will occur.

—P has decided for the proposal

—President asked to be advised & review the distribution of the funds — doesn't want to be trapped into funding of mass transit.

—announce at 12:15 / reserve on allocation of funds which will be developed

—truckers: modify barrier states + 80,000 weight + truckers support.

S -- Support
L -- Leaning
O -- Opposed

# HIGHWAY USER FEE CONGRESSIONAL SUPPORT

## House Leadership

O'Neill - S
Wright
Foley - S
Michel - S
Lott - S

## Senate Leadership

Baker - S
Stevens - S
R. Byrd
Cranston
Laxalt - S

## Key Committees

### Public Works and Transportation

| Democrats | Republicans |
|---|---|
| Howard - S | Clausen - S |
| Anderson - S | Snyder - S |
| Roe | Hammerschmidt |
| Breaux | Shuster - S |
| Mineta - S | Goldwater |
| Levitas - S | Hagedorn - S |
| Oberstar | Stangeland |
| Nowak - L | Gingrich |
| Edgar - S | Clinger - S |
| Bouquard | Solomon - S |
| Fary | Hollenbeck - S |
| R. Young | Deckard - S |
| Ertel | Grisham - S |
| B. Evans | Jeffries |
| Flippo | Fields |
| Rahall | Molinari - S |
| Applegate | Shaw |
| Ferraro | McEwen - S |
| Atkinson - S | Wolf - S |
| Albosta | |
| Boner | |
| de Lugo | |
| Savage | |
| Sunia | |
| Roemer - S | |
| Donnelly | |
| Kogovsek | |

### Commerce, Science and Transportation

| Republicans | Democrats |
|---|---|
| Packwood - S | Cannon |
| Goldwater - S | Long - S |
| Schmitt - S | Hollings |
| Danforth - S | Inouye |
| Kassebaum | Ford |
| Pressler | Riegle |
| Gorton - S | Exon |
| Stevens - S | Heflin |
| Kasten | |

### Environment and Public Works

| | |
|---|---|
| Stafford - S | Randolph - S |
| Baker - S | Bentsen - S |
| Domenici - S | Burdick |
| Chafee | Hart |
| Simpson - S | Moynihan |
| Abdnor | Mitchell |
| Symms - S | Baucus |
| Gorton - S | |
| Murkowski | |

### Banking, Housing and Urban Affairs

| | |
|---|---|
| Garn - S | Proxmire |
| Tower | Cranston |
| Heinz - S | Riegle - S |
| Armstrong - S | Sarbanes - S |
| Lugar - S | Dodd |
| D'Amato | Dixon |
| Chafee | Sasser |
| Schmitt - S | |
| Brady | |

S -- Support
L -- Leaning
O -- Opposed

HIGHWAY USER FEE CONGRESSIONAL SUPPORT



Key Committees (con't.)

House

Ways and Means

Democrats

Rostenkowski - S
Gibbons - S
Pickle
Rangel
Stark
J. Jones - S
Jacobs
Ford - S
Holland
Brodhead
Jenkins
Gephardt
Downey
Heftel
Fowler - S
Guarini
Shannon
Russo - S
Pease - S
Hance - S
Matsui
D. Bailey - S

Republicans

Conable - S
Duncan - S
Archer - L
Vander Jagt - S
Crane
Frenzel - L
Martin - S
Bafalis
Schulze - L
Gradison - S
Rousselot - S
Moore

Senate

Finance

Republicans

Dole - S
Packwood - S
Roth - S
Danforth - S
Chafee
Heinz - S
Wallop - S
Durenberger - S
Armstrong - S
Symms - S
Grassley

Democrats

Long - S
H. Byrd - S
Bentsen - S
Matsunaga
Moynihan - S
Baucus
Boren
Bradley - S
Mitchell

Other House Support

Approx. 235 Members

Key Committees above - 38 Members

House Total -- 273 Members

Other Senate Support

Approx. 28 Members

Key Committees above - 31 Members

Senate Total -- 59 Members

# Highway User Fee Support

## I. Highway Construction Related Association

American Association of State Highway & Transportation Officials
American Concrete Pavement
American Concrete Pipe
American Consulting Engineers
American Public Works Association
American Road and Transportation Builders
American Society of Civil Engineers
American Subcontractors Association
Asphalt Institute
Associated Builders & Contractors
Associated Equipment Distributors
Associated General Contractors
Better Roads & Transportation Council
Institute of Transportation Engineers
International Bridge, Tunnel & Turnpike Association
National Asphalt Paving Association
National Constructors Association
National Crushed Stone Association
National Lime Association
National Limestone Institute
National Ready Mix Concrete Association
National Sand & Gravel Association
National Slag Association
National Society of Professional Engineers
Portland Cement Association
The Road Information Program

## II. Highway Construction - Related Corporation

Barber-Greene
CMI
Catapiller Tractor
Fruehoff
International Harvester
Ogden Corp.
McDonnell-Douglas
Lamson and Sessions
Peabody International
Briggs and Stratton
Avco Corporation
Portec Inc.
Pneumo Corp.
Rohr Industries
Coachmen Industries
Hayes Albion
A O Smith Corp.

## III. Highway User - Related Association

National Industrial Traffic League
U.S. Chamber of Commerce
Transportation Association of America
National Association of Manufacturers
Automotive Service Industry Association
Diesel Automobile Association
Highway Users Federation
Motor Vehicle Manufacturers
American Automobile Association
American Bus Association
American Farm Bureau Federation
American Retreaders Association
American Trucking Association
National Automobile Dealers Association
National Grange
National Tire Dealers and Retreaders Association
Private Truck Council of America
Rubber Manufacturers Association
Truck Trailer Manufacturers Association
United Bus Owners of America
United Fresh Fruit and Vegetable Association

## IV. Highway User - Related Corporation

American Motors
Chrysler Corporation
Ford Motor Company
General Motors
VW of America

V. Transit Related Associations

American Public Transit Association
Railway Progress Association

VI. Transit Related Corporations

Budd Company
General Electric
General Railway Signal Corp.
Knorr - Brake Corp.
Ellcon-National
New York Air Brake
Vapor Corp.
Westinghouse Corp.
Grumman Flxible Corp.

VII. Transit Authorities

Southern California Rapid Transit District
Greater Cleveland Regional Transit Authority
Rochester-Genesee (NY) Regional Transp. Authority
Los Angeles County Transportation Commission
Jacksonville Transportation Authority
Greater New York Public Transit Coalition
New York Metropolitan Transp. Commission
Orange County (CA) Transportation Coalition
Metropolitan Atlanta RTD
Memphis Area Transit Authority
Chicago Transit Authority
Kentucky Public Transit Authority
Nashville (TN) Metropolitan Transit Authority
Owensboro (KY) Transit Systems
Twin Cities (MN) Metropolitan Transit Commission
Tri-State (WV) Transit Authority
Southeastern Pennsylvania Transp. Authority
Central New York Regional Transp. Authority

VIII. National Associations Of State/Local Elected Officials

National Governors' Association
National Conference of State Legislatures
U.S. Conference of Mayors
National Association of County Officials
National League of Cities
National Association of Towns & Townships
Conference of Northeast Governors
National Association of Regional Councils

IX. Unions

United Transportation Union
Amalgamated Transit Workers Union
Teamsters
Transit Workers Union
Operating Engineers
Laborers' International Union
Carpenters and Joiners
Electrical Workers
Boilermakers, Iron Shipbuilder, Blacksmiths, Forgers, & Helpers
Cement, Lime, and Gypsum Workers
Painters and Allied Trades

09843650
PR007-02

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: SENATOR PAUL LAXALT (R-NEVADA)

DATE: November 26, 1982

RECOMMENDED BY: Kenneth M. Duberstein for D.

PURPOSE: To consult with Senator Laxalt on your proposed gas tax package.

BACKGROUND: As an informal member of the leadership and a close ally of the Administration, Senator Laxalt is a valuable bellweather of attitudes in the Senate and his advice will be helpful as you proceed to develop your gas tax package. Laxalt will be supportive on the gas tax as well as the Enterprise Zones issue. He does, however, have some misgivings about advancing the third year of the tax cut. Specifically, he is concerned about its effect on the deficit, as well as the potential for a political defeat for your Administration. Laxalt suggests that you check with Dick Wirthlin before making a final decision. Laxalt is very concerned about the economic situation generally, and will undoubtedly share his thoughts with you.

TOPICS OF DISCUSSION:

1. Ask Laxalt if he had an enjoyable Thanksgiving.

2. Tell Laxalt you have been working on a gas tax package, and you would like to go over some of the major elements you are considering to get his reaction and advice. Let Laxalt know that you have also spoken with Howard Baker and that you are consulting with Senators Dole and Domenici.

3. Outline the major components of the package you are considering: five cents gas tax legislation to rebuild our highways and bridges, Enterprise Zones, and advancing the third stage of the individual tax cut.

4. Ask Laxalt's advice with regard to your proposals, and encourage him to share any other thoughts he has on our current economic policy.

5. Tell Laxalt you understand the Congress anticipates early action on some legislation of this type, and remind him that you are anxious to work with our Republican leadership on this issue.

DATE OF SUBMISSION: November 26, 1982

ACTION Call made. He's for the gas tax.
Feels great opposition or apathy re moving up the 10%

PR007-02

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: Senator Robert Dole (R-Kansas)

DATE: Friday, November 26, 1982

RECOMMENDED BY: Kenneth M. Duberstein per D.

PURPOSE: To consult with Senator Dole on your proposed gas tax package.

BACKGROUND: As Chairman of the Senate Finance Committee, Senator Dole will play a major role in Senate consideration of your proposed gas tax package. Dole has repeatedly indicated his support for a gas tax proposal, and this portion of the package would be referred to his Committee.

Also, the Senate Finance Committee has reported your Enterprise Zones legislation, and Senator Dole is aware of your interest in seeing this legislation pass during the lameduck session. On the matter of advancing the third year of the individual tax cut, Dole's enthusiastic support at this time appears doubtful. When news of advancing the tax cut was first reported, Dole was traveling in the Soviet Union, and was somewhat irritated that he had not been given advance notice on this issue. His initial reaction in the press was unfavorable, citing the impact on the deficit. Privately, his staff indicates that his "mind is not closed on the subject."

In addition to his Finance Committee position, Dole also serves as a member of the informal "economic leadership team" in the Senate, and you should explore your ideas with him for his counsel. Also, you should remind him that Congressman Rostenkowski now appears willing to move ahead on the trade and tax portions of CBI; encourage Dole to do the same.

( Dole )

TOPICS OF DISCUSSION:

1. Tell Dole that you understand the Congress is anxious to act on a gas tax measure when they return next week, and that you have also been working on a proposal along this line. Tell Dole that you wanted to consult with him with regard to your thoughts on what this package should contain.

2. Tell Dole you are considering a package combining the five cents gas tax legislation to rebuild our highways and bridges, Enterprise Zones, and a proposal to accelerate the third stage of the individual tax cut from July 1, 1983 to January 1, 1983. Ask Dole for his views on this proposal.

3. Tell Dole that you are anxious to work with the Senate leadership on this issue, and you hope that we can come to an agreeable solution.

4. Let Dole know that you have had some very positive conversations with Congressman Rostenkowski recently on the matter of CBI. Rostenkowski has indicated that he will move ahead on the trade and tax portions of this measure during the lameduck and express the hope to Dole that he will do the same.

DATE OF SUBMISSION: November 26, 1982

ACTION Call made – [illegible]
on the same subject.

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: Senator Pete Domenici (R-New Mexico)

DATE: Friday, November 26, 1982

RECOMMENDED BY: Kenneth M. Duberstein Ken D.

PURPOSE: To consult with Senator Domenici on your proposed gas tax package.

BACKGROUND: Senator Domenici has indicated his strong interest in a gas tax proposal and should be supportive of your efforts in this area. He will also be helpful on Enterprise Zones, but has serious doubts with regard to advancing the third year of the individual tax cut. At this point, he would lean toward voting against such a move.

As Chairman of the Senate Budget Committee, and a member of the informal "economic leadership team" in the Senate, you should let Domenici know what you are thinking with regard to a gas tax package and seek his counsel.

TOPICS OF DISCUSSION:

1. Tell Domenici that you understand Congress is anxious to move on a gas tax proposal during the lameduck and that you have been working with appropriate members of your Administration to devise a package including the five cents gas tax.

2. Explain that you are considering a package containing the five cents gas tax legislation to rebuild our highways and bridges, Enterprise Zones, and advancing the third stage of the individual tax cut now scheduled for July 1, 1983 to January 1, 1983. Ask Domenici's guidance on this package.

3. Tell Domenici you appreciate having his views and that you are anxious to work with the Republican leadership on this important issue. Express the hope that we can reach agreement and see this measure passed before Christmas.

 (Domenici)

DATE OF SUBMISSION: November 26, 1982

ACTION As for the gas tax - thinks ent. zones probably O.K. although hasn't really studied them. As not for advancing the tax cuts - believes we have to deal with the entitlements

0981363-00
FG006-02

Call me at 10 AM

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: Representative Trent Lott (Republican - Mississippi)

DATE: Friday, November 26, 1982

RECOMMENDED BY: Kenneth M. Duberstein Ken D.
M. B. Oglesby, Jr. MBO

PURPOSE: To review Administration legislative proposals for consideration during the Lame Duck Session.

BACKGROUND: House Republican Whip Trent Lott (R-Mississippi) favors both (1) the proposed transportation user fee and (2) advancement of the third year of the personal tax rate reduction. He is unsure, however, that advancement of the third year is realistically achievable during the Lame Duck Session.

Trent has been quoted in recent New York Times articles as seeking greater influence in the shaping of Administration legislative proposals. He should therefore be particularly receptive to this opportunity for consultation. It is important for him to realize that you are counting on the full involvement of the House Republican Whip organization to achieve priority items during the Lame Duck Session.

TOPICS OF DISCUSSION: Attached.

DATE OF SUBMISSION: Friday, November 26, 1982.

ACTION Bless him - he's with us on everything including the advance of the tax cut.

Lott

TOPICS OF DISCUSSION

-- I hope you and your family had a Happy Thanksgiving.

-- We are considering proposing a package for the Congress to consider during the lame duck session and I wanted to get your thoughts.

-- I have already indicated my support for the 5¢ gas tax. We also are considering advancing the effective date for the third year of the tax cut to January 1st and a strong push for action on Enterprise Zone legislation.

-- What do you think our chances for success would be for such a package?

-- Thanks for your comments. I look forward to seeing you on Tuesday at the leadership meeting.

099484 SS
11 607-05

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: Representative Barber B. Conable, Jr. (Republican - New York)

DATE: Friday, November 26, 1982

RECOMMENDED BY: Kenneth M. Duberstein Ken D.
M. B. Oglesby, Jr. BO

PURPOSE: To review Administration legislative proposals for consideration during the Lame Duck Session.

BACKGROUND: Congressman Barber Conable (R-New York) is the Ranking Republican Member of the House Ways and Means Committee. In that capacity, he is the lead person on Committee consideration of the proposed transportation user fee, enterprise zones, the Caribbean Basin Initiatives, (CBI) trade and tax provisions, and any action on advancement of the third year of the personal tax rate reduction. Barber is reported to favor the transportation user fee; and it should be noted that this proposal is scheduled for hearings and markup in the Ways and Means Committee on Wednesday, December 1st. He is opposed to advancement of the "third year" and believes a push could backfire on the Administration. The CBI trade and tax provisions are scheduled for House Ways and Means Committee action on Thursday, December 2nd and Friday, December 3rd; and Barber is generally supportive of the Administration's proposals in this regard. Barber also is a lead sponsor of the Administration's enterprise zone proposal; and he has tried repeatedly, without success, to get the Ways and Means Committee to act on this proposal.

TOPICS OF DISCUSSION: Attached

DATE OF SUBMISSION: Friday, November 26, 1982.

ACTION Call made - with us on 5¢ & Ent. Zones
Very worried about advancing the tax cut.

(Conable)

## TOPICS OF DISCUSSION

-- I hope you and your family had a Happy Thanksgiving.

-- We are considering proposing a package for the Congress to consider during the lame duck session and I wanted to get your thoughts.

-- I have already indicated my support for the 5¢ gas tax. We also are considering advancing the effective date for the third year of the tax cut to January 1st and a strong push for action on Enterprise Zone legislation.

-- What do you think our chances for success would be for such a package?

-- Barber, the Ways and Means Committee is going to be busy during the lame duck session. Dan Rostenkowski (D-Illinois) has scheduled mark-up of CBI and the gas tax. We are again counting on your help and leadership during these next three weeks. I look forward to seeing you on Tuesday at the leadership meeting.

**COMMITTEE ON WAYS AND MEANS**

**U.S. HOUSE OF REPRESENTATIVES**

**WASHINGTON, D.C. 20515**

**TELEPHONE (202) 225-3625**

November 29, 1982

MEMORANDUM

To: D.R.

From: John Salmon

Subject: Compromise language on Highway Trust Fund

This morning, we met with Clyde Woodle, who is the Chief Engineer of the House Committee on Public Works and Transportation, to discuss possible compromises in our ongoing dispute with that committee concerning the funding of the Highway Trust Fund.

I proposed to Clyde a compromise which I had discussed with Ari Weiss last week. With some technical clarifications, Clyde thought that the compromise would be acceptable to Mr. Howard and to the Public Works Committee.

In essence, the compromise can be summarized as follows:

The revenue title reported from the House Committee on Ways and Means (H.R. 7092) would be the revenue title for the major multi-year highway bill with the following changes:

(1) The taxes should be raised as discussed in the Administration's initiative;

(2) The trust fund language would be transferred to the Internal Revenue Code as called for in H.R. 7092, with the following changes:

(a) the "as in effect on enactment" language included in the committee bill would be deleted;

(b) a new clause clarifying that future authorizations could not expand the existing "general purposes" of the trust fund without concurrence of the Ways and Means Committee.

(3) The "Byrd Amendment" would be strengthened so as to provide that existing unpaid authorizations could at no time exceed 24 months' future revenue of the trust fund.

This compromise is designed to protect the basic interests of both committees. It gives the Public Works Committee the flexibility it sought while at the same time transfers all revelant taxing provisions to the Internal Revenue Code, limits the ability of the Public Works Committee to expand the purposes for which the trust fund can be used and strengthens the Byrd Amendment so as to preclude a multi-year extension of the tax from being authorized in any one year. I think it's a fair compromise that you can recommend accepting to your members.

JJS/cm

Attachment C

TALKING POINTS

--- It's good to be back together again and I look forward to working closely with the Leadership as we complete the priorities of this Congress and move ahead to the new Congress in January.

--- I have many difficult decisions to make on the budget and other items in the next several weeks and I will count heavily on your continuing guidance, assistance and teamwork. We have together charted a new direction for the country and I have confidence we will continue on the road to economic recovery.

--- As you begin the lame duck session I hope you will act quickly to pass three vital pieces of legislation that will help bring a boost to our economy:

(1) A program to help restore our deteriorating highway and transit system. While requiring a 5¢ increase in the gas tax, this bill will also provide for over 300,000 new jobs in the private sector. I am encouraged that the draft bill has been introduced and that Bob Dole has scheduled a hearing on this proposal later today---I hope this means speedy action in the House and Senate.

(2) The enterprise zone legislation which will revive declining inner city and rural communities by providing new incentives to develop business and jobs.

(3) An acceleration of the cut in the withholding of taxes. Under our 1981 Tax Reduction Act, the American taxpayer is scheduled to receive an additional 10 percent tax rate reduction in July, 1983. Our proposal would spread the effect of that cut evenly across the whole year -- so that taxpayers will get the benefit starting January 1. In other words, instead of a 10 percent for half a year, taxpayers will receive a 5 percent break for the whole year.

--- Certainly passage of the 10 remaining appropriations bills are a top priority. I hope every effort will be made to complete action on each of them---consistent with the budget resolution and with the need to hold the line on spending.

--- We must now move forward on other fronts as well during the lame duck session:

- The Caribbean Basin Initiative which is so important to our relations with our neighbors to the south and which is my major foreign policy initiative.
- Revision of the Clean Air bill which, while protecting the environment, will make it possible for industry to rebuild its productive base and create more jobs.
- The immigration, nuclear waste disposal, anti-crime and regulatory reform bills which passed the Senate.
- Radio Marti.
- Revision of our bankruptcy laws.
- And, of great importance, I am asking that the Congress provide funding so that our MX program can begin on time.

--- I recognize this is an ambitious agenda for the next three weeks. But based on my conversations with many of you and with leaders of the other side of the aisle, I am convinced there is a deep desire on everyone's part to work hard and cooperatively together. The economy need it. Our people need it. I think all of us are prepared to answer that call---and set a tone for the new Congress as well.

--- I'll pause now to give Howard and then Bob a chance to respond.

THE WHITE HOUSE

WASHINGTON

MEETING WITH REPUBLICAN CONGRESSIONAL LEADERSHIP

DATE: Tuesday, November 30, 1982
LOCATION: The Cabinet Room
TIME: 9:30 a.m. (45 minutes)

FROM: KENNETH M. DUBERSTEIN Ken D.

I. PURPOSE

To advance your highway program/user fee (gas tax) and other economic initiatives and to review the priority items on the Congressional calendar for the remainder of the lame duck session.

II. BACKGROUND

This is the first meeting of the full House and Senate Republican Leadership since the November 2 election. In the interim, you have met with or talked by phone with several of the leaders on a variety of issues (budget, MX, highway program, etc.) but this session provides the opportunity for you to discuss the priorities and strategy for the final weeks of the 97th Congress.

As a follow-through on your (and your staff's) recent phone consultations, the leadership is anticipating a Presidential decision on the highway program/user fee (gas tax), enterprise zone legislation and the possibility of an acceleration, in some fashion, of the 10% tax cut scheduled for July 1, 1983. Bob Dole, for example, has already announced a hearing on Tuesday afternoon on the highway program and related tax measure before the Finance Committee. A similar hearing is planned by the Ways and Means Committee on Wednesday.

In addition, it is important that the Republican Leadership be alerted to the priority issues that the President would like resolved prior to adjournment of the Congress, scheduled tentatively for December 17.

III. PARTICIPANTS

See Attachment A

IV. PRESS PLAN

White House photographer

V: SEQUENCE OF EVENTS

See Attachment B



Attachments: Participants - Attachment A
Agenda - Attachment B
Talking Points - Attachment C

THE WHITE HOUSE

WASHINGTON

November 30, 1982

MEMORANDUM FOR DAVE FISCHER

FROM: M. B. OGLESBY, JR. BO

SUBJECT: Attendance at GOP Leadership Meeting

The following Members of the House of Representatives attended this morning's GOP Leadership Meeting with the President at 9:30 a.m. in the Cabinet Room:

- Congressman Clair Burgener
- Congressman Dick Cheney
- Congressman Barber Conable
- Congressman Silvio Conte
- Congressman Jack Edwards
- Congressman Tom Evans
- Congressman Jack Kemp
- Congressman Del Latta
- Congressman Trent Lott
- Congressman Ed Madigan
- Congressman Bob Michel
- Congressman Jimmy Quillen
- Congressman John Rhodes
- Congressman Guy Vander Jagt

Administration and Staff Attendance

The Vice President, Secretary Regan, Secretary Lewis, OMB Director Stockman, RNC Chairman Richards, Ed Meese, Jim Baker, Mike Deaver, Bill Clark, Ken Duberstein, Craig Fuller, Dick Darman, Dave Gergen, Larry Speakes, Lee Atwater, Nancy Risque, Pam Turner, M. B. Oglesby, J. L. Cullen

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

December 1, 1982

TO: DAVE FISCHER

FROM: PAM TURNER

SUBJECT: Attendance at Meeting with the President

The following Senators attended the GOP leadership meeting with President Reagan on Tuesday, November 30, 1982 at 9:30 a.m. in the Cabinet Room:

Senator Howard Baker
Senator Ted Stevens
Senator James McClure
Senator Jake Garn
Senator Paul Laxalt
Senator Strom Thurmond
Senator Robert Dole
Senator Pete Domenici
Senator Mark Hatfield
Senator John Tower

REGRET: Senator Bob Packwood

(House and staff participants are listed in memo from M.B. Oglesby).

Attachment B

SEQUENCE OF EVENTS

| | |
|---|---|
| 9:30 - 9:40 (10 minutes) | The President makes opening remarks |
| 9:45 - 9:45 (5 minutes) | The President turns to Senator Howard Baker for a report on the Senate |
| 9:45 - 9:50 (5 minutes) | The President asks Congressman Bob Michel for a report on the House |
| 9:50 - 10:15 (25 minutes) | General discussion |
| - 10:15 - | The President adjourns meeting |

THE WHITE HOUSE

WASHINGTON

December 2, 1982

MEMORANDUM FOR EDWIN MEESE III
JAMES A. BAKER, III
MICHAEL K. DEAVER

FROM: ELIZABETH H. DOLE

SUBJECT: Highway User Fee Proposal.

As mentioned at senior staff, unintended adverse effects may have resulted from our highway user fee proposal. A number of small business organizations, including the National Tire Dealers and Retreaders Association and the American Bus Association, have pointed out inequities in the new tax treatment involving passenger tires and buses.

Passenger Tires

It is our understanding that Drew Lewis has agreed to revise his proposal to eliminate the tax on new tires at the expense of retreads. This move will be very helpful in terms of firming up more small business support.

The NTDR has also asked that we support a 120-day deferral for tire dealer payment of these new taxes to the manufacturer. Since this does not have an impact on federal revenues, there is purportedly some support in Treasury for this measure. We understand that this matter still remains outstanding, however, correction of the above lessens the negative impact of this latter.

Bus Operations

Our proposal also taxes fuel sold to private bus operations and not that sold to publicly-owned bus operations. Since they compete on commuter routes, on travel/tourism charter and on tour operations, the privately-owned operations are placed at an unfair advantage. Our previous position was to encourage fuel conservation and efficiency by encouraging publicly-owned and operated mass transit authorities to use private bus operators whenever possible. This new tax undermines these earlier efforts and will cost the private operators upwards of 67% of their entire industry profits for the past year, according to the ABA.

cc: R. Darman
C. Fuller
K. Duberstein
E. Harper

INFORMATION dlt

Date: December 2, 1982

MEMORANDUM FOR: SECRETARY REGAN

From: David G. Glickman
Acting Assistant Secretary (X)

Subject: Gas Tax

The Ways and Means Committee will begin markup of the Administration gasoline tax proposal today at 2:00PM. Tentative plans are to finish tonight, with consideration by the Rules Committee on Friday, December 3 or Monday, December 6. House floor action is expected Tuesday or Wednesday of next week.

The 5 cent per gallon gas tax appears to be locked in, as is the revenue target. However, the trucking industry strongly opposes the proposed highway excise tax restructuring, and the industry has made substantial inroads among Committee members. The possibility thus exists that Committee will delete restructuring provision, with result that heavy vehicle share of highway costs drops from 26 percent under current law to 23 percent.

The trucking industry has offered a counterproposal on use taxes, but DOT analysis shows that this will move heavy vehicle cost share from 26 to 21 percent. Original Administration proposal raises share to 33 percent.

DOT will accept a Ways and Means staff compromise proposal which raises same amount of revenue but distributes more burden to lower weight vehicles. Cost burden on heavy vehicles would be 31 percent. We concur in the substance of this.

Both Secretary Lewis and Buck Chapoton told Ways and Means that they were not overly sympathetic to increasing gasohol exemption. Ways and Means will probably leave exemption at 4 cents.

Discussion is also in process to delay effective date of increasing heavy vehicle use tax to January 1, 1984.

| | Initiator | Reviewer | Reviewer | Reviewer | Reviewer | Ex. Sec. |
|---|---|---|---|---|---|---|
| rname | GLICKMAN | | | | | |
| s / Date | / | / | / | / | / | / |

0-01.II (2-80) which replaces OS 3129 which may be used until stock is depleted

RECORDED VOTE

Mr. HARTNETT. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 262, noes 143, not voting 28 as follows:

[Roll No. 421]

AYES—262

Addabbo
Albosta
Anderson
Annunzio
Anthony
Applegate
Aspin
Atkinson
Badham
Bailey (MO)
Bailey (PA)
Barnard
Bedell
Beilenson
Benedict
Bennett
Bereuter
Biaggi
Bingham
Bliley
Boggs
Boland
Bowen
Breaux
Brinkley
Brodhead
Brooks
Broomfield
Brown (CA)
Brown (OH)
Burgener
Burton, John
Burton, Phillip
Butler
Carman
Carney
Clausen
Clay
Clinger
Coats
Coelho
Collins (IL)
Conable
Conte
Corcoran
Coughlin
Coyne, James
Coyne, William
Crockett
D'Amours
Daub
Dellums
DeNardis
Derrick
Derwinski
Dicks
Dingell
Dixon
Donnelly
Dorgan
Dougherty
Dowdy
Downey
Dunn
Dwyer
Dymally
Dyson
Edgar
Edwards (AL)
Edwards (CA)
Erdahl
Erlenborn
Ertel
Evans (DE)
Evans (IA)
Evans (IN)
Fary
Fazio
Fenwick
Ferraro
Findley
Fish
Fithian

Flippo
Foglietta
Foley
Ford (MI)
Ford (TN)
Fowler
Frank
Frenzel
Frost
Garcia
Gejdenson
Gephardt
Gibbons
Gilman
Gingrich
Goodling
Gradison
Gray
Green
Gregg
Grisham
Guarini
Gunderson
Hagedorn
Hall (IN)
Hamilton
Hammerschmidt
Hance
Harkin
Hatcher
Hawkins
Heckler
Heftel
Hendon
Hightower
Hiler
Hillis
Hollenbeck
Howard
Hoyer
Hunter
Hutto
Ireland
Jacobs
Jeffords
Jones (NC)
Kastenmeier
Kennelly
Kildee
Kogovsek
Kramer
LaFalce
Latta
Leach
LeBoutillier
Lee
Leland
Lent
Levitas
Lewis
Long (LA)
Lott
Lowery (CA)
Lowry (WA)
Lujan
Luken
Madigan
Markey
Martin (IL)
Martinez
Matsui
Mavroules
Mazzoli
McClory
McCollum
McDade
McEwen
McGrath
McHugh
McKinney
Mica
Michel
Mikulski

Miller (CA)
Mineta
Mitchell (MD)
Mitchell (NY)
Moakley
Moffett
Molinari
Montgomery
Morrison
Murtha
Napier
Natcher
Nelligan
Nelson
Nowak
O'Brien
Oakar
Oberstar
Obey
Pashayan
Patman
Pease
Pepper
Petri
Peyser
Pickle
Porter
Price
Pritchard
Pursell
Quillen
Rahall
Railsback
Rangel
Ratchford
Regula
Reuss
Rodino
Roe
Roemer
Rostenkowski
Roukema
Russo
Sabo
Savage
Scheuer
Schneider
Schroeder
Schulze
Schumer
Seiberling
Shamansky
Shannon
Sharp
Shaw
Simon
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (PA)
Snyder
Solarz
St Germain
Stark
Staton
Stokes
Stratton
Swift
Tauke
Thomas
Traxler
Tribble
Udall
Vander Jagt
Vento
Volkmer
Walgren
Washington
Waxman
Weber (MN)
Weber (OH)
Weiss
Whitehurst

Williams (OH)
Wilson
Wirth
Wolf
Wolpe

Wortley
Wright
Wyden
Wylie
Yates

Young (MO)
Zablocki
Zeferetti

NOES—143

Akaka
Andrews
Archer
Ashbrook
AuCoin
Beard
Bethune
Boner
Bonior
Bouquard
Brown (CO)
Broyhill
Byron
Campbell
Chappell
Chappie
Cheney
Coleman
Collins (TX)
Courter
Craig
Crane, Daniel
Crane, Philip
Daniel, Dan
Daniel, R. W.
Dannemeyer
Daschle
Davis
de la Garza
Dickinson
Dornan
Dreier
Duncan
Early
Eckart
Edwards (OK)
Emerson
Emery
English
Fiedler
Fields
Florio
Fountain
Fuqua
Gaydos
Ginn
Glickman
Gonzalez

Gore
Gramm
Hall (OH)
Hall, Ralph
Hall, Sam
Hansen (ID)
Hansen (UT)
Hartnett
Hefner
Hertel
Holland
Holt
Hopkins
Horton
Hubbard
Huckaby
Hughes
Hyde
Jeffries
Jenkins
Johnston
Jones (OK)
Jones (TN)
Kazen
Kemp
Kindness
Lagomarsino
Leath
Livingston
Loeffler
Long (MD)
Lundine
Lungren
Marlenee
Marriott
Martin (NC)
Martin (NY)
McCurdy
McDonald
Miller (OH)
Minish
Moore
Moorhead
Murphy
Myers
Neal
Nichols
Ottinger

Oxley
Panetta
Parris
Paul
Perkins
Rinaldo
Ritter
Roberts (KS)
Roberts (SD)
Robinson
Rogers
Rose
Roth
Rousselot
Roybal
Rudd
Sawyer
Sensenbrenner
Shelby
Shumway
Siljander
Skeen
Smith (AL)
Smith (OR)
Snowe
Solomon
Spence
Stangeland
Stenholm
Studds
Stump
Synar
Tauzin
Taylor
Walker
Wampler
Watkins
Weaver
White
Whitley
Whittaker
Whitten
Williams (MT)
Winn
Yatron
Young (AK)
Young (FL)

NOT VOTING—28

Alexander
Bafalis
Barnes
Bevill
Blanchard
Bolling
Bonker
Chisholm
Conyers
Deckard

Evans (GA)
Fascell
Forsythe
Goldwater
Lantos
Lehman
Marks
Mattox
McCloskey
Mollohan

Mottl
Patterson
Rhodes
Rosenthal
Santini
Shuster
Skelton
Stanton

□ 2450

The Clerk announced the following pairs:

On this vote:

Mr. Lantos for, with Mr. Mottl against.

Mr. Rosenthal for, with Mr. Bevill against.

Mr. VOLKMER changed his vote from "no" to "aye."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. ANDERSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 6211, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

## AUTHORIZING CLERK TO MAKE TECHNICAL CORRECTIONS IN ENROLLMENT OF H.R. 6211

Mr. ANDERSON. Mr. Speaker, I ask unanimous consent that the Clerk be authorized to make technical corrections in the enrollment of the bill, H.R. 6211.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

## TRIBUTE TO HON. BUD SHUSTER

(Mr. CLAUSEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CLAUSEN. Mr. Speaker, I would like to take just a moment to address the House, to bring to the attention of the Members the fact that our distinguished colleague, the gentleman from Pennsylvania (Mr. SHUSTER), who is the ranking minority member on the subcommittee and was here earlier today during the course of the presentation of the legislation, was actually ordered by his doctor to leave the Chambers so that he could get more in the way of rest, having had to recover from an automobile accident.

I only wanted to make the point that if ever there was a gentleman who made the extra effort, went that extra mile on behalf of his own legislative responsibilities, it was BUD SHUSTER of Pennsylvania.

I think this is a real tribute, the legislation having passed with the kind of vote that it did. It is truly a great tribute to the gentleman from Pennsylvania.

## IN PRAISE OF HON. BUD SHUSTER

(Mr. HOWARD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOWARD. Mr. Speaker, I wish to thank the gentleman for his remarks and to tell the Members of the House that BUD SHUSTER had been working on this legislation for literally years. We know he had a very severe accident just before election, had two operations since that time. But even during the final deliberations on this bill, was part of the meetings and negotiations to put this legislation together, by telephone from his hospital bed. We are very, very happy to see paragraph if the Secretary determines that such transfer would result in increasing the amount in the National Recreational Boating Safety and Facilities Improvement Fund to a sum in excess of $45,000,000.

"(B) EXCESS FUNDS TRANSFERRED TO LAND AND WATER CONSERVATION FUND.—Any amount received in the Highway Trust Fund which is attributable to motorboat fuel taxes and which is not transferred from the Highway Trust Fund under subparagraph (A) shall be transferred by the Secretary from the Highway Trust Fund into the land and water conservation fund provided for in title I of the Land and Water Conservation Fund Act of 1965.

"(C) MOTORBOAT FUEL TAXES.—For purposes of this paragraph, the term 'motorboat fuel taxes' means the taxes under section 4041(a)(2) with respect to special motor fuels used as fuel in motorboats and under section 4081 with respect to gasoline used as fuel in motorboats.

"(d) ADJUSTMENTS OF APPORTIONMENTS.—

"(1) ESTIMATES OF UNFUNDED HIGHWAY AUTHORIZATIONS AND NET HIGHWAY RECEIPTS.—The Secretary of the Treasury, not less frequently than once in each calendar quarter after consultation with the Secretary of Transportation, shall estimate—

"(A) the amount which would (but for this subsection) be the unfunded highway authorizations at the close of the fiscal year, and

"(B) the net highway receipts for the 24-month period beginning at the close of such fiscal year.

"(2) PROCEDURE WHERE THERE IS EXCESS UNFUNDED HIGHWAY AUTHORIZATIONS.—If the Secretary of the Treasury determines for any fiscal year that the amount described in paragraph (1)(A) exceeds the amount described in paragraph (1)(B)—

"(A) he shall so advise the Secretary of Transportation, and

"(B) he shall further advise the Secretary of Transportation as to the amount of such excess.

"(3) ADJUSTMENT OF APPORTIONMENTS WHERE UNFUNDED AUTHORIZATIONS EXCEED 2 YEARS' RECEIPTS—

"(A) DETERMINATION OF PERCENTAGE.—If, before any apportionment to the States is made, in the most recent estimate made by the Secretary of the Treasury there is an excess referred to in paragraph (2)(B), the Secretary of Transportation shall determine the percentage which—

"(i) the excess referred to in paragraph (2)(B), is of

"(ii) the amount authorized to be appropriated from the Trust Fund for the fiscal year for apportionment to the States.

If, but for this sentence, the most recent estimate would be one which was made on a date which will be more than 3 months before the date of the apportionment, the Secretary of the Treasury shall make a new estimate under paragraph (1) for the appropriate fiscal year.

"(B) ADJUSTMENT OF APPORTIONMENTS.—If the Secretary of Transportation determines a percentage under subparagraph (A) for purposes of any apportionment, notwithstanding any other provision of law, the Secretary of Transportation shall apportion to the States (in lieu of the amount which, but for the provisions of this subsection, would be so apportioned) the amount obtained by reducing the amount authorized to be so apportioned by such percentage.

"(4) APPORTIONMENT OF AMOUNTS PREVIOUSLY WITHHELD FROM APPORTIONMENT.—If, after funds have been withheld from apportionment under paragraph (3)(B), the Secretary of the Treasury determines that the amount described in paragraph (1)(A) does not exceed the amount described in paragraph (1)(B) or that the excess described in paragraph (1)(B) is less than the amount previously determined, he shall so advise the Secretary of Transportation. The Secretary of Transportation shall apportion to the States such portion of the funds so withheld from apportionment as the Secretary of the Treasury has advised him may be so apportioned without causing the amount described in paragraph (1)(A) to exceed the amount described in paragraph (1)(B). Any funds apportioned pursuant to the preceding sentence shall remain available for the period for which they would be available if such apportionment took effect with the fiscal year in which they are apportioned pursuant to the preceding sentence.

"(5) DEFINITIONS.—For purposes of this subsection—

"(A) UNFUNDED HIGHWAY AUTHORIZATIONS.—The term 'unfunded highway authorizations' means, at any time, the excess (if any) of—

"(i) the total potential unpaid commitments at such time as a result of the apportionment to the States of the amounts authorized to be appropriated from the Highway Trust Fund, over

"(ii) the amount available in the Highway Trust Fund at such time to defray such commitments (after all other unpaid commitments at such time which are payable from the Highway Trust Fund have been defrayed).

"(B) NET HIGHWAY RECEIPTS.—The term 'net highway receipts' means with respect to any period, the excess of—

"(i) the receipts (including interest) of the Highway Trust Fund during such period, over

"(ii) the amounts to be transferred during such period from such Fund under subsection (c) (other than paragraph (1) thereof).

"(6) REPORTS.—Any estimate under paragraph (1) and any determination under paragraph (2) shall be reported by the Secretary of the Treasury to the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, the Committees on the Budget of both Houses, the Committee on Public Works and Transportation of the House of Representatives, and the Committee on Environment and Public Works of the Senate.

"(e) ESTABLISHMENT OF MASS TRANSIT ACCOUNT.—

"(1) CREATION OF ACCOUNT.—There is established in the Highway Trust Fund a separate account to be known as the 'Mass Transit Account' consisting of such amounts as may be transferred or credited to the Mass Transit Account as provided in this subsection or section 9602(b).

"(2) TRANSFER TO MASS TRANSIT ACCOUNT.—The Secretary of the Treasury shall transfer to the Mass Transit Account one-ninth of the amounts appropriated to the Highway Trust Fund under subsection (b) which are attributable to taxes under sections 4041 and 4081 imposed after March 31, 1983.

"(3) EXPENDITURES FROM ACCOUNT.—Amounts in the Mass Transit Account shall be available, as provided by appropriation Acts, for making capital expenditures before October 1, 1988 (including capital expenditures for new projects) under section 3 of the Urban Mass Transportation Act of 1964.

"(4) LIMITATION.—Rules similar to the rules of subsection (d) shall apply to the Mass Transit Account except that subsection (d)(1) shall be applied by substituting '12-month' for '24-month'."

(b) REPEAL OF SECTION 209 OF THE HIGHWAY REVENUE ACT OF 1956.—Section 209 of the Highway Revenue Act of 1956 (other than subsection (b) thereof) is hereby repealed.

(c) CONFORMING AMENDMENTS TO LAND AND WATER CONSERVATION FUND.—Subsection (b) of section 201 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-11) is amended—

(1) by striking out "1985" each place it appears and inserting in lieu thereof "1989"; and

(2) by striking out "1984" and inserting in lieu thereof "1988".

(d) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 of such Code is amended by adding at the end thereof the following new item:

"Sec. 9503. Highway Trust Fund."

(e) EFFECTIVE DATE; SAVING PROVISION.—

(1) IN GENERAL.—The amendments made by this section shall take effect on January 1, 1983.

(2) NEW HIGHWAY TRUST FUND TREATED AS CONTINUATION OF OLD.—The Highway Trust Fund established by the amendments made by this section shall be treated for all purposes of law as the continuation of the Highway Trust Fund established by section 209 of the Highway Revenue Act of 1956. Any reference in any law to the Highway Trust Fund established by such section 209 shall be deemed to include (wherever appropriate) a reference to the Highway Trust Fund established by the amendments made by this section.

Mr. ROSTENKOWSKI (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN. Pursuant to House Resolution 620, the gentleman from Illinois (Mr. ROSTENKOWSKI) will be recognized for 1 hour, and the gentleman from New York (Mr. CONABLE) will be recognized for 1 hour.

The Chair recognizes the gentleman from Illinois (Mr. ROSTENKOWSKI).

Mr. ROSTENKOWSKI. Mr. Chairman, I am offering an amendment, approved by the Committee on Ways and Means on December 2, 1982, as the revenue title to H.R. 6211, the Surface Transportation Assistance Act of 1982.

H.R. 6211 provides authorizations for highway programs at increased levels for the period fiscal year 1983 through fiscal year 1986. Accordingly, the amendment of the Committee on Ways and Means provides a revenue title which finances the higher spending levels proposed in H.R. 6211 by increasing net excise tax receipts from highway user taxes and extending the highway trust fund through fiscal year 1988. This revenue title is a product of bipartisan effort, and enjoys the strong support of the administration.

At this point, Mr. Chairman, I will insert in the RECORD, correspondence from the Secretary of the Treasury and the Secretary of Transportation strongly endorsing our committee amendment.

THE SECRETARY OF THE TREASURY,
*Washington, D.C., December 6, 1982.*

DEAR MEMBER OF CONGRESS: The House Ways and Means Committee has approved legislation to increase and restructure the excise taxes currently dedicated to the Highway Trust Fund. The Administration supports this bill and urges its adoption by the House.

The Ways and Means Committee legislation would increase highway user taxes to finance increased Federal funding for needed investments in highway maintenance, highway construction, and mass transit. It is appropriate that these vitally needed programs continue to be financed by taxes on highway users. Reliance on user taxes to finance particular Federal programs, such as highways and airports, is fair because costs of the program are then paid by the beneficiaries of the service rather than by the general taxpaying public.

The Ways and Means Committee legislation would also restructure the highway excise taxes to increase the share of the tax burden paid by heavy vehicles and reduce the share of highway taxes paid by light trucks. This restructuring will bring the tax shares paid by different user groups more closely in line with the costs they impose on the highway system. The trucking industry as a whole will benefit from this legislation because of the improvements in the highway system it will finance and because of the provisions in the legislation to increase truck weight limits.

The legislation also contains significant provisions to improve the administration of the highway excise taxes and to reduce taxpayer compliance burdens. The truck parts tax, a source of considerable taxpayer burden, will be eliminated, the truck sales tax will be removed from most trucks, and enforcement of the heavy vehicle use tax will be improved.

For these reasons, we strongly support the bill and urge bipartisan support for it in the House.

With best wishes,
Sincerely,

DONALD T. REGAN.

THE SECRETARY OF TRANSPORTATION,
*Washington, D.C., December 3, 1982.*

DEAR MEMBER OF CONGRESS: I urge your support for the revenue portions of the legislation approved Thursday by the Ways and Means Committee. That legislation, which increases highway user fees and extends the Highway Trust Fund, is expected to come to the floor of the House on Monday as the revenue title of H.R. 6211. While the Administration has major problems with the authorization provisions for highways and transit, which we will seek to resolve during Congressional deliberation on those provisions, we strongly endorse the revenue title.

This revenue title is essential legislation. We have a rare opportunity to enact legislation that has been too long delayed. I know you have heard from the many special interests on this issue, but there is an overriding public interest at stake. To defer action will be too costly—both to the users of our highway system and to the system itself.

Without the additional revenues this title provides, we will face a serious and immediate shortfall in the funds needed to complete the interstate system and halt the creeping deterioration of our existing roads, bridges and transit systems. Unless we meet those pressing needs, we will face the far higher costs of future replacement and reconstruction.

The Ways and Means Committee has reported a revenue title that is even-handed and fair to all concerned. The five cent per gallon increase in motor fuel represents the first increase in highway user fees in 23 years. It is not a general tax, and will not affect the budget deficit. The Committee's revenue title reduces the highway use taxes that we originally proposed for the heaviest trucks, and delays the effective date for some of those taxes until January 1984. The total package of increases will generate the revenues needed to replenish the Highway Trust Fund and finance a growing agenda of Interstate, primary and bridge repair projects and mass transit capital improvements.

The revenue title achieves the Administration's objective of having heavy trucks pay a greater share of their responsibility for highway costs. At the same time, the improved highways and the increased truck size and weight limits that are part of this legislation will provide truckers productivity gains that will more than offset any increase in user fee taxes. Attached is a fact sheet explaining these issues in more detail.

Favorable action now will enable the states to proceed early in the new year with the nearly $6 billion worth of road and bridge projects awaiting funding. For states without adequate matching funds, we have agreed to consider a proposal allowing them to pay a smaller share initially, the balance to be repaid later.

We believe the revenue title before the House contains the provisions necessary to put the nation's highway construction and rehabilitation programs on a sound financial footing. Our objective is the protection and preservation of a transportation infrastructure that is too valuable to neglect.

We may not again have the opportunity now before us. Let's not lose it, or defer to a later day legislation that is needed now. When the Committee's bill comes to the floor, I respectfully ask your strong support for the revenue title as reported by the Ways and Means Committee.

Sincerely,

DREW LEWIS.

HIGHWAY ISSUES AFFECTING TRUCKERS

The issue. Are the truckers getting a fair deal in the package of legislative changes affecting truckers in the 5-cent highway bill?

Answer. Yes.

The facts. Up to now other drivers have been subsidizing the operators of large trucks.

A three year study of cost responsibilities for Federal-aid highway programs, recently completed by the Federal Highway Administration, concluded that under the existing highway user charge structure: combination trucks heavier than 75,000 lbs. gross vehicle weight (GVW) are paying only about 60 percent of their fair share of the costs, single-unit trucks, as a group, are overpaying their fair share of the costs by nearly 90 percent.

Though disputed by the trucking community, these results are broadly supported and confirmed by the analyses and professional judgments of: the Congressional Budget Office; the American Association of State Highway and Transportation Officials (AASHTO); individual state transportation and highway departments; a consensus of the highway engineering and design community, both practicing and theoretical; and practitioners employing the latest design practices in the U.S., Canada and Europe.

Correcting the inequities in the existing user fee system is important for two reasons: It is only fair that the users of the system pay those costs for which they are responsible. A fundamental requirement of the free market system is that prices must accurately reflect the costs of goods and services for the system to work most efficiently, and the existing structure does not do this.

THE COMPROMISE PROPOSAL RECOMMENDED AND APPROVED BY THE WAYS AND MEANS COMMITTEE

The user fees reported out by the House Ways and Means Committee strike a reasonable compromise between the Administration's proposed changes and the concerns expressed by the trucking community arising out of the current economic difficulties. The principal results which the compromise user fee would accomplish are: increasing the contribution of combination trucks greater than 75,000 lbs. GVW to 77 percent of their share of the costs (increased from the nearly 60 percent they now pay, but reduced from the 86 percent which the Administration requested), reducing the amount that single-unit trucks overpay to 18 percent of their share.

BENEFITS TO TRUCKERS

*Question.* Won't these changes devastate the trucking industry?

Answer. Absolutely not. In fact, the Administration package, as modified by Ways and Means, contains many benefits for truckers.

*Cost.*—We estimate that the new user fee increases will amount to less than one-half of one percent of the annual operating costs of the trucking industry.

*Productivity.*—The Administration bill will dramatically raise the productivity of truckers. The completion of the Interstate system will be accelerated, bridges will be made stronger, and roads will be repaired. The Administration bill also guarantees that larger and heavier trucks will be able to use the Interstate in every state. The estimate of benefits to truckers from allowing larger and heavier trucks alone is $4 billion per year.

*Safety.*—The Administration bill proposes a $150 million state safety grant program. This program will provide funds to the states for enforcement of commercial motor vehicle safety standards. This will help keep unsafe trucks off the roads to the benefit of other truckers.

*Tax structure.*—As modified by Ways and Means, truckers would be relieved of $308 million of taxes per year on truck parts. This benefit will help small truckers and large truckers alike. Another concern of the trucking industry was addressed when Ways and Means decided to postpone the effective date of new use taxes from July 1, 1983, to January 1, 1984. The Ways and Means version also drops the maximum heavy vehicle use tax from the Administration's proposed $2,700 per year to $2,000 per year. Overall, the Ways and Means' proposal represents a reasonable compromise.

In providing these tax changes and the extension of the highway trust fund, the committee has changed the distribution of the tax burden by shifting a larger share of the heaviest trucks on the highways and reducing the share paid by lighter trucks. These shifts are consistent with the highway cost allocation study submitted to Congress by the Department of Transportation in May of this year and were strongly urged by the administration.

SUMMARY OF THE REVENUE TITLE

The Ways and Means Committee's revenue title extends the highway trust fund for 4 years past its present expiration date, through fiscal year 1988, and creates a mass transit account in the trust fund for capital expenditures that will rebuild and expand urban mass transit systems.

The revenue sources for the highway trust fund presently are scheduled to terminate or revert to lower rates on October 1, 1984. The Ways and Means Committee amendment increases, repeals, or modifies these provisions and raises the current annual trust fund revenues by an estimated $2.2 billion in fiscal year 1983, $5.2 billion in 1984, and $5.6 billion in fiscal year 1985. After considering the effects on income tax receipts resulting from the deductibility of these excise taxes by businesses, net budget receipts will increase by an estimated $1.7 billion in fiscal year 1983, $3.9 billion in fiscal year 1984, and $4.2 billion in fiscal year 1985.

I now want to briefly describe the major provisions of the revenue title.

FUEL TAXES

The excise tax on gasoline, diesel, and special motor fuels that are used in automobiles and trucks is increased from 4 cents a gallon to 9 cents a gallon, effective April 1, 1983.

The motorboat fuel tax is also increased to 9 cents a gallon. Revenues from this tax bill continue to be deposited in the land and water conservation fund, and the transfer to the boating safety fund will increase from $20 million to $45 million through fiscal year 1988.

The fuel tax exemptions in present law for State and local governments, intercity, school and local buses, nonprofit educational institutions, farming, and nonhighway business uses, are increased to 9 cents a gallon. The current 4 cents a gallon exemption for taxicabs will continue at that level through September 30, 1984. The present gasohol exemption remains at 4 cents a gallon. A new 9-cent-a-gallon exemption is provided for alcohol fuels, chiefly methanol and ethanol, that are made from substances other than petroleum.

TIRE TAXES

Except for the tax on heavy duty truck tires, the present excise taxes on tires are repealed. The excise tax on new tires that weigh more than 100 pounds is increased from 9.75 cents a pound to 25 cents a pound. Similarly, the 5 cents a pound tax on rubber used for retreading tires heavier than 100 pounds also is raised to 25 cents a pound. The excise taxes on nonhighway tires and on innertubes are repealed. The tax on aircraft tires is also repealed. These changes are effective on January 1, 1984.

LUBRICATING OIL

The 6-cents-a-gallon tax on lubricating oil is repealed on the day after the date of enactment.

TRUCK RELATED TAXES

Truck-related taxes are simplified and restructured to reallocate a larger share of the cost burden for the highway system to heavy trucks and to reduce the relative burden on light trucks. The tax on truck parts and accessories is repealed, as of the day after enactment. The tax on new trucks and trailers will increase from 10 percent to 12 percent on April 1, 1983. At that time, the truck and trailer excise tax will become a retail tax. The truck tax will apply to trucks over 33,000 pounds and trailers over 26,000 pounds compared to 10,000 pounds under present law. These higher exemption levels for trucks and trailers go into effect on the day after enactment, and refunds of excise taxes paid after December 2 will be provided.

HEAVY-VEHICLE USE TAX

The heavy-vehicle use tax is the principal means for redistributing a larger burden on the highway costs to the heaviest trucks. The present tax is $3 per 1,000 pounds for trucks weighing more than 26,000 pounds. In its place, the Ways and Means Committee amendment provides a graduated tax that begins at 33,000 pounds. Trucks below that weight level will pay no tax. At 33,000 pounds, trucks will pay $60. Trucks weighing 55,000 pounds will pay $500. The maximum annual use tax of $2,000 will apply to heavy trucks over 80,000 pounds. The new schedule will become effective on January 1, 1984.

TERMINATION OF TAXES

All the highway user excise taxes, as well as exemptions from the taxes, expire on October 1, 1988.

TRUST FUNDS

HIGHWAY TRUST FUND

The highway trust fund is extended for 4 years, through September 30, 1988. The taxes that will be deposited into the trust fund, and the authority to spend from the trust fund, expire after that date.

The statutory authority for the trust fund is transferred to the Internal Revenue Code. Authority to spend from the trust fund is provided for general expenditure purposes which are authorized by law as of December 31, 1982.

The antideficit provisions of the present Byrd amendment are modified and clarified. As a result, unfunded authorizations may not exceed 2 years of anticipated trust fund receipts. Authority for repayable advances from the Treasury is repealed.

TRANSIT ACCOUNT

One cent a gallon of the fuel taxes i to be deposited in a separate account in the highway trust fund. This revenue may be used only for mass transit capital expenditures, including new starts, that are authorized in section 3 of the Urban Mass Transit Act as amended by H.R. 6211 and subsequent acts of Congress. This account is limited to unfunded authorizations in anticipation of only 1 year's revenues. Repayable advances are not permitted.

CONCLUSION

H.R. 6211 and the Ways and Means Committee's revenue title accomplish many important objectives. The Committee on Ways and Means worked hard to complete this major legislation in a short period of time. This has been an admirable demonstration of how Congress can meet its responsibilities thoughtfully and quickly.

The Ways and Means Committee revenue title extends the highway trust fund, adds a transit account, and provides the financing for a needed, higher level of outlays. In providing this financing, the committee both simplified the highway excise tax structure and shifted a greater portion of the cost burden to heavy highway vehicles and large trucks and trailers, as recommended by the administration.

I am well aware that tax increases, however meritorious, are not popular. However, I want to emphasize that these highway user taxes have not been increased for several decades. The gas tax has remained at 4 cents per gallon since 1959. The heavy truck use tax has not been increased since 1961. Further, many of the changes made in the Ways and Means Committee amendment will simplify the highway excise tax structure for those that must pay and collect these taxes. Nuisance taxes are repealed and all the major truck taxes are restructured to apply only to heavy trucks.

Finally, these changes have been strongly urged by the administration and are fully supported by studies prepared by the Departments of Transportation and Treasury on how to more fairly distribute the tax burden among highway users and to simplify the highway excise tax structure.

Some will argue today that the increased tax burden on heavy trucks under the Ways and Means Committee amendment is excessive. In response, I would observe that the Department of Transportation's cost allocation study found the heaviest trucks underpaying their fair share today by 40 percent. Under the committee amendment, these trucks will still underpay by over 20 percent. Nevertheless, in recognition of the fact that the tax dollar increase involved for some trucks may be particularly burdensome in today's economy, the committee agreed to reduce the level of the heavy truck use tax recommended by the administration, and also delayed the effective date of this tax increase until January 1, 1984.

Mr. Chairman, I have today filed a committee report on H.R. 7368, a bill introduced earlier today by the Honorable BARBER CONABLE, ranking minority member of the committee, and myself, which embodies the text of the Ways and Means Committee amendment now pending before the House. It is the intention of the Ways and Means Committee that this committee report on H.R. 7368 constitute the official legislative history of the Ways and Means Committee amendment.

Mr. Chairman, the Ways and Means Committee's revenue title strikes a reasonable balance and deserves the support of the House. I urge its adoption.

□ 2330

The CHAIRMAN. The Chair now recognizes the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I am going to, in some degree, repeat some of the points of information made by the distinguished chairman of the committee, because we do not have many requests for time, but this is a terribly important piece of legislation and I want to be sure the Members understand it. I will try to be as brief as I can.

Mr. Chairman, I support the revenue title of H.R. 6211. It was reported out of the Committee on Ways and Means by voice vote—a rare occurrence in major legislation and expressive of the leadership of both the distinguished chairman of the committee, the gentleman from Illinois, and adroit spokesmen from the administration, notably the innovative Secretary of Transportation. It also represents what I believe to be a reasonable and equitable response to an obvious need: Financing the restoration of our country's traffic arteries.

The measure clearly is controversial. Any legislation which raises taxes, whatever the purpose, is likely to be. Much of the trucking industry, for example, is unhappy with it, in large part because it shifts the user tax burden more to heavy vehicles—a step which is consistent with findings of a highway cost allocation study requested by the Committee on Ways and Means several years ago.

That study, by the Department of Transportation, showed that the weightiest vehicles do not pay a road user share commensurate with the damage they do to the Nation's highways. In particular, the study disclosed that heavy combination trucks underpay their "cost responsibility" by about 50 percent, on average, while single unit trucks, excluding pickups and vans, overpay their "cost responsibility" by about 100 percent. The legislation before us today makes a substantial adjustment in this regard. In so doing, it endears itself to some segments of the transportation sector and alienates others.

It must be acknowledged that this legislation taxes work. Most Americans go to their job in automobiles, despite great progress in mass transit, and a small part of total mileage in this country is discretionary today. Thus, the gasoline tax in this package does represent a tax on work.

To the extent that money consumed by a higher gas tax will not be spent in other sectors of our economy, this measure also can be seen as a negative macroeconomic factor.

Despite these "downside" aspects, the legislation has a positive force which should be dominant. Its potential drawbacks should be offset to a substantial degree by its tangible benefits—an improved and safer highway-and-bridge network, plus several hundred thousand jobs in a basic industry now suffering a 23-percent unemployment rate.

Specifically, this revenue title provides what we are assured will be adequate funding for the increased road authorizations contained in H.R. 6211 for the next 4 years. Highway excise taxes, as well as all exemptions, are terminated at the end of fiscal 1988.

The legislation increases taxes on gasoline, diesel fuel, and certain special fuels from 4 cents per gallon to 9 cents per gallon, effective April 1, 1983. Revenues equal to 1 cent of this increase are earmarked for a new mass transit account within the highway trust fund, the provisions of which are transferred to the trust fund portion of the Internal Revenue Code.

The mass transit revenue will be available for capital expenditures, including new starts, which promises to be a particular boon to troubled urban systems.

Although most users will have to absorb the higher taxes at the pumps, there are exemptions to take into account extraordinary needs and a general desire to lower reliance on traditional fossil fuels. Examples: A full exemption of 9 cents per gallon is given for off-highway business users who now enjoy a 2-cents-per-gallon exemption, for users of alcohol fuels which are not derived from petroleum, for State and local government users, and for agricultural users. Full exemptions also go to nonprofit educational groups and buses—not only school buses but both local and intercity buses. Gasohol users and qualified taxicab operators will continue to get a 4-cents-per-gallon exemption, but will pay the added levy.

The taxi exemption terminates September 30, 1984. In the meantime, the executive branch will conduct a study on the merits of that specific relief.

Present law provides that the taxes collected on motorboat fuels be assigned to the land and water conservation fund, except for $20 million, which goes to the recreational boating safety and facilities improvement fund. The new revenue provisions continue that general practice, and extend the boat safety fund through the life of the tax and increase the amount that fund receives to $45 million.

Of special interest to smaller vehicles producers and users, the revenue title repeals existing taxes on inner tubes, laminated tires and nonhighway tires and increases the highway tire tax from 9.75 cents per pound to 25 cents per pound, but only for tires weighing more that 100 pounds. Commensurately, the tax on tread rubber is also placed at 25 cents per pound, when it is used on tires weighing over 100 pounds.

The very controversial 8 percent excise taxes on truck parts and accessories would be ended, under this revenue title, on the day after enactment. This levy was seen as an administrative nuisance and not a major revenue producer.

The revenue title would increase, from 10 to 12 percent, the taxes on new trucks and trailers, and would shift the imposition of these taxes from manufacturing to retail level. The measure also would increase the weight threshold for tax purposes from 10,000 pounds to 33,000 pounds for trucks, and to 26,000 pounds for trailers. Repeal of the parts tax and the increase in weight thresholds would become effective the day after enactment, but the conversion from manufacturing to retail levies would be effective April 1 next year.

One of the most widely discussed facets of this legislation is its adjustment of the so-called use tax, consistent with the cost allocation finding. Existing law imposes a flat $3 per 1,000 pounds on trucks weighing more than 26,000 pounds.

The new schedule, which is based on a sliding scale, would provide: For vehicles under 33,000 pounds, no tax; for those up to 55,000 pounds, $60 plus $20 for each 1,000 pounds over 33,000; for those up to 80,000 pounds, $500 plus $60 per 1,000 pounds over 55,000; and for vehicles weighing over 80,000 pounds, $2,000. This represents a very substantial increase for heavier vehicles, but it is important to keep in mind that a drastic alteration is warranted according to the cost allocation study, and that trucks which travel fewer than 2,500 miles per tax period will be exempt from the tax.

Mr. Chairman, I do not hold out this piece of legislation as any kind of a cure-all, for what we euphemistically call our Nation's infrastructure, for our ailing economy, or for our unemployment problem. But I do think it is appropriate to the times.

The idea behind this package is not new. It was brought forward many months ago by our able Secretary of Transportation, and since then has been examined and adopted by others. Whereas it commanded slim support at the outset, it now has widespread backing, particularly where it counts, both in the White House and here on the Hill. In effect, events have caught up with it.

In short, Mr. Chairman, this revenue title represents an idea whose time apparently has come, and I urge my colleagues to join me in approving it today.

□ 2340

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 3 minutes to the gentleman from South Carolina (Mr. HOLLAND).

Mr. HOLLAND. I thank my chairman for yielding me this time because I rise in opposition to this section of the bill.

No matter what the President said, this is the 125-percent tax increase part of this legislation.

I have been watching all week for President Reagan to come on television and urge my constituents to get on the telephone and send me the telegrams urging me to vote for this like he did the Kemp-Roth package. But I have not seen that.

But, you know, the President does not have to do this in this instance. He has the leadership of this House to do it for him.

I think this tax, to put it like a lot of my liberal friends put it, is about the most regressive attack on the poor and middle-class of this country that I have seen in 8 years in Congress. The burden is going to fall and I would say to my rural friends on you and your constituents to pay 20 percent of this 125 percent tax increase to build subways in the bigger cities of this country.

I know the big cities have problems. But that takes it away from being a user's tax, does it not? If they want a user's tax for subways they should tax subway tickets so those of us who do not have any mass transit but maybe like in my district a couple of school buses, we are sort of paying up as a user for things we are not going to be using.

I talked about New Jersey over in the committee the other day and I tried to tell my friends, like the gentleman from New Jersey (Mr. GUARINI) that we do not have these toll roads down there in my part of the country to extract money from the innocent tourist passing through. So we think we are paying more into the trust fund than we are getting out regardless of some of these computer printouts.

I do not want to take much time because I know it is late. I just tried to put back a letter that I got from one of my constituents and I want to read to the House what my constituent had to say about what has been going on lately in the Congress.

DEAR MR. HOLLAND: I read where Congress is talking about raising taxes again. About the only pleasure a poor man has left is to smoke a cigarette or drink a beer and ride in his pickup truck.

You all have figured out how to tax all of these things with Reagan's help. I guess a poor man is just out of luck these days.

P.S.—I am afraid to say I like women. You all might figure out how to tax that, too.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin (Mr. REUSS).

Mr. REUSS. Mr. Chairman, while we need to rehabilitate our Nation's highways and bridges—and we must find the money to do it—the arguments against imposing a 5-cent increase in the gasoline tax are overwhelming. We should defeat the tax increase and instead fund the needed highway and bridge improvements by placing a $700 per taxpayer cap on the July 1983 income tax cut.

With unemployment now up to 10.8 percent, the gasoline tax increase would take $5.5 billion yearly from the pockets of the very consumers who are being counted on to generate an economic recovery. This is not a job-creation bill, it is a job-elimination bill. According to CEA Chairman Martin Feldstein, the cut in consumer spending that will result from the gas tax will cost our economy dearly in jobs in 1983. The 12 million Americans currently unemployed would be joined by thousands more if the gas tax is enacted.

Many of the private forecasters agree. In the December 1982 forecast of Data Resources, Inc., it is stated:

The President and the Congress agree on a public works program to be financed out of a higher gasoline tax. While the country has a need for a new round of investment in roads and bridges, the initial impact of this program is certain to be perverse. The gasoline tax, as presently proposed, would begin to withdraw $5 billion of purchasing power on January 1, 1983. But the federal outlays to be financed out of these taxes would not occur for many months. Indeed, since the grants to the states are on a reimbursement basis, little federal money would be paid out in the first year. Thus, this particular program will, in a small way, worsen the recession.

Moreover, the gasoline tax is unfair. It falls most heavily on low- and middle-income wage-earners, while imposing only an insignificant burden on the well-to-do. Lower income families spend a larger fraction of their annual incomes on gasoline than do those at the top of the scale and will be most hurt by the new tax. According to the Labor Department, the bottom half of all families in the United States receive about 22 percent of all income but consume about 31 percent of all gasoline. By contrast, the top 7 percent of families receive 22 percent of the Nations income but consume only 11 percent of the gasoline. And, although $30 is the estimated annual "average" cost of the tax, it will actually be much larger for those who must drive to work each day or use their car for other essential purposes.

The burden will be worst for those families with incomes of $15,000 per year or less. The proposed gasoline tax increases would completely wipe out the income tax reduction they are scheduled to receive on July 1, 1983.

Of course, we need to rehabilitate our Nation's highways and bridges. But we should not fund the proposal with a tax which costs thousands of jobs. Instead, we should transfer to the highway trust fund from general revenues an annual amount equal to the revenues that would have been raised by the 5-cent increase in the gasoline tax, and fund this by imposing a $700 per taxpayer cap on the personal income tax cut currently scheduled for July 1983. The cap when fully effective will yield $7 billion in new revenues, more than enough to fund the $5.5 billion highway program. The cap, furthermore, will not eliminate jobs, since its revenue gain will much more closely match the timing of increased spending on highways and bridges.

The cap also would be equitable. The burden will be borne not by low- and middle-income taxpayers who must drive to work, but by those with annual incomes of $45,000 and up. Under our proposal, taxpayers who make less than $45,000 will receive the full tax cut for 1983. While the $700 cap will reduce the tax cut for the well to do, these taxpayers received a great benefit in 1982 when the top rate was cut in one stroke from 70 to 50 percent, 35 percent of the 1982 tax cut, and the top rate on capital gains was reduced from 28 to 20 percent.

By replacing the 5-cent-per-gallon tax increase on gasoline with a $700 cap on the July 1983 income tax cut, we can rebuild our highways without further damaging our economy. If the House votes down the gas tax, legislation can be introduced that would fund the highway and bridge program through a $700 cap on the July 1983 tax cut.

□ 2350

Mr. CONABLE. Mr. Chairman, I yield 7 minutes to the distinguished gentleman from Minnesota (Mr. FRENZEL.)

Mr. FRENZEL. Mr. Chairman, the description of the bill as given by the distinguished chairman and the distinguished ranking member of the Committee on Ways and Means is in my judgment accurate. I think also accurate is their combined statement which indicates the need for the preservation and enhancement of our important Interstate Highway System, and the rest of our transportation arteries.

I think no one would say that the need does not exist.

That of course takes us to the way in which we are going to finance the general attention to that particular need.

During the consideration of the Committee on Ways and Means, it is my judgment that insufficient attention was given to the testimony of trucking interests. We heard 5 minutes I think from the American Trucking Association. I do not remember hearing from any people who would be independent truckers, or cattle haulers, or all of the other trucking interests that might be involved.

I think that the 5-cent gas tax is something which all of us and probably all of them would be willing to support.

The increases in tire taxes for trucking companies will be in the neighborhood of 250 percent may also be stomached. Perhaps even the excise tax increase from 10 to 12 percent on new equipment is something that could be stood.

However, like the gentleman from South Carolina (Mr. HOLLAND), I am positively aghast at the percentage increase in the highway use tax. For heavier weighted trucks, which runs around 800 percent for the standard combination in use in my area, which would be licensed for about 70,000 pounds, the cost of a use tax would go from $210 to around $1,900, which is an increase of slightly more than 800 percent.

For the heaviest weighted trucks, those of over 80,000 pounds, that increase goes from $240 to $2,000, and would have under the original bill presented by the administration soared to $2,700.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman from New York.

Mr. CONABLE. I thank the gentleman for yielding.

I do want to point out to my colleagues while what the gentleman from Minnesota is saying is correct, the proposal has been substantially compromised below that suggested by the administration by the Committee on Ways and Means.

Also that it falls far short of what the study conducted over the past several years has indicated should be the proportionate cost of heavy trucks in terms of the damage they do to the roads.

And so I want my colleagues to understand that we have already compromised with both the study and the administration proposal.

Mr. FRENZEL. I thank the gentleman for his contribution.

I would say that we did compromise. We compromised from a 1,100-percent increase down to an 800-percent increase, which is probably going to not be terribly thrilling news to the operators who, as I understand it right now, are operating on razor slim margins or perhaps at least in my area many of them operating on negative ratios at this time.

It is true that studies have been completed. It is also true that studies have been subjected to various interpretations, some of them sustaining the position of the Department of Transportation and some of them not sustaining that decision.

Certainly I have seen no overwhelming evidence of the exact percentage that is contributed by trucks and that contributed by cars. I think we have a lot of work to do yet in that regard.

Nevertheless, it seems to me that an 800-percent increase by anyone's standards is a pretty tall order.

Finally, Mr. Chairman, I express my great disappointment at the "Buy American" protectionist amendment attached to this bill—when the Committee on Public Works was operating under its section at the time. I think that and the excess taxes on trucks have changed my position from one of enthusiasm for this bill to one of a large question mark.

Mr. Chairman, until the gentleman from Wisconsin spoke, I was wondering how I could rationalize a vote for this bill with what I considered to be two crippling features. He has shown me that our alternative is to finance the road system through user taxes or to finance it through general taxation on the general taxpayers of this country who may or may not use that road system at any particular time. He has indicated that he is nervous about the number of jobs to be created.

I think under the program the same will be created no matter how you finance it. And therefore, I think he has shown me that I have but one opportunity, one alternative, and that is to vote for the bill that is before us rather than to see our road repairs and improvement completed at the expense of the general taxpayer.

However, Mr. Chairman, I would expect that this bill in the two particulars I have concentrated will be improved as the legislative process wends its way through the other body. I certainly hope so, because my affirmative vote tonight does not indicate an affirmative vote on the conference report unless there is some repair.

Mr. Chairman, I urge an affirmative vote on this bill.

Mr. CONABLE. Mr. Chairman, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman from New York.

Mr. CONABLE. Mr. Chairman, I think it is important also to emphasize once again that the effective date of the user tax is postponed until January 1, 1984, a wonderful opportunity for the trucking industry to discuss it with us all next year.

Mr. FRENZEL. I thank the gentleman for his contribution.

As the gentleman said on the gallows, a 5-minute reprieve is better than none at all.

Mr. ROSTENKOWSKI. Mr. Chairman, I want to thank the gentleman from Minnesota for his ringing endorsement of the legislation.

I yield such time as he may consume to the gentleman from Oregon (Mr. AuCOIN).

Mr. AuCOIN. Mr. Chairman, I support the stated aim of this bill. To help put millions of Americans who do not have a job today, or even a hope of a job, back to work. To rebuild this country's transportation and industrial infrastructure. To set forth a multiyear authorization for critical highway and mass transit programs that is long overdue.

But this bill, as drafted, is seriously flawed. I disagree with a whole host of its provisions. And I resent the manner in which it has been pushed through Congress. Last May, after the President restated his strong opposition to any increase in the gas tax, most people considered the chances of passage of H.R. 6211 to be nonexistent. It was put on a back burner. Up until the day of the election the President still opposed a gas tax increase. Now we are told that this is not a gas tax increase—it's a "user fee", and lo and behold with unemployment increasing by leaps and bounds—the President supports it.

Last week the Ways and Means Committee held a hearing one day, marked up the next, the bill got a rule and here we are today voting on a measure which will have far-reaching implications for cities and States all over this country without the majority of my colleagues knowing exactly what this bill proposes to do.

I recognize, and I commend my colleagues, Mr. HOWARD and Mr. ROSTENKOWSKI, for the work they have done in trying to get a gas tax proposal through all the hurdles this administration has put up over the last 2 years.

I also realize the pressing need to do something now, in 3 short weeks, to address unemployment levels of tragic proportions and the needs of this country's transportation systems.

I have grave concerns about many of the provisions of this bill and I plan to press for several critical changes when the House and Senate go to conference on this bill. I want the record to reflect my deep concern over these provisions.

The bill tends to promote the construction and completion of unneeded legs of the Interstate System, and it gives a higher funding priority to segments on the basis that they are more expensive—it costs more to complete them, so they get more funds. I'll push to see that the conferees make changes by eliminating or adjusting the formulas as they are now set forth to reflect other variables such as the need for the projects and whether or not they are already under construction.

In addition, by proposing to allocate both interstate transfer and mass transit funds on a contract authority/formula basis and by leaving it up to the discretion of the Secretary, Congress loses its ability to exercise its authority and judgment as to the most efficient and effective use of highway and transit dollars. What it really does is allow Dave Stockman or whoever happens to be sitting at OMB to decide "go or no go" on State and local projects all over this country—without congressional approval.

I don't know about the rest of my colleagues, but Dave Stockman and I don't exactly see eye to eye. He proposed a 20-percent cut in transit funding in fiscal year 1981, a 12-percent cut for fiscal year 1982, and no new rail starts "until the economy improves." The Banfield light rail project in my home district would be dead if Dave Stockman had had his way. And given this administration's track record on the economy, I'm in no mood to wait for it to improve before going ahead with necessary projects that will provide jobs for at least 200,000 of the unemployed construction workers in this country.

This bill also continues and greatly expands the use of multiyear contract authorizations for funding highway and mass transit programs which I believe is dangerous and unnecessary. The expanded use of multiyear authorizations makes the Federal budget even more uncontrollable than it is now. Just because a program is financed by a user fee and ends up in a trust fund does not mean that it should escape congressional review and oversight.

I also oppose terminating the escalation provisions in the interstate transfer program although I fully understand and agree with the committee's attempt to get this program under control. Coupled with an extension of the deadline for localities, however, this provision ends up penalizing those States, like Oregon, that withdrew projects early in good faith that their purchasing power would not erode due to a stretched-out funding schedule.

Placing the interstate transfer highway funds under the same State obligational ceiling as other highway programs pits urban interests against rural interests in those States which participate in this program, so I will also push for removing the interstate transfer program from any one State's overall obligation ceiling. Small States like Oregon will not be able to take enough away from general maintenance throughout the State to make up for the obligational authority needs of major projects funded from the interstate transfer program.

Among other concerns I have, the abrupt change in Federal/State matching ratios for both capital and operating expenses is going to wreak havoc on local transportation agencies. In the State of Oregon, we could be facing a $900 million deficit. In Portland, the local transit authority has suffered close to a 10-percent drop in its payroll tax revenue which it uses for operating assistance because so many Oregonians are out of work. I fail to see the workability, or the logic, of any plan which asks local jurisdictions to jump from having to fund 20 percent of a Federal project to having to fund 50 percent—especially during these economic times. Localities which already have letters of intent or full funding contracts should be allowed to participate in these programs under the terms of their current contracts.

In summary, I was prepared to support a bill that repaired the economic "infrastructure" of the country and created jobs. But this bill pours the new gas tax revenues out in a way that does not accelerate needed new jobs; it revamps and warps the current transportation delivery system, it strips back congressional review and program oversight and I can't justify the raising of gasoline taxes to pay for all this.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Kentucky (Mr. HUBBARD).

Mr. HUBBARD. Mr. Chairman, I rise in opposition to the Ways and Means Committee amendment to the Surface Transportation Assistance Act of 1982, H.R. 6211, and ask unanimous consent to revise and extend my remarks.

My constituents in western Kentucky do not want tax increases. They want reductions in Government spending. This legislation with its 5-cents-per-gallon gasoline tax increase and highway tax proposals represents another attempt to raise revenues by imposing additional tax burdens on the backs of our already overburdened taxpayers, including those of the trucking industry.

My constituents in western Kentucky believe they will not equitably benefit from the revenues raised by these tax increases. The revenues generated will most likely be forwarded to large cities across the United States. I believe highway construction and repair could be funded by cutting spending in other areas—like foreign aid—not by increasing taxes.

Therefore, I request that my colleagues oppose and vote against this H.R. 6211, the Surface Transportation Assistance Act of 1982.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri (Mr. GEPHARDT).

Mr. GEPHARDT. Mr. Chairman, I commend the chairman of the Committee on Ways and Means on the work done by the committee on the bill.

Mr. Chairman, I am pleased to note that the committee has made clear in its report on this measure that a fair share of revenues allocated to the newly created mass transit account should be spent on cost effective new rail construction.

in the St. Louis area, plans are underway for a new light rail system involving an innovative approach that will substantially lower the cost. Under this proposal, right of way on existing track, including existing tunnels under the downtown business district and bridges across the Mississippi River to East St. Louis, would be granted for a light rail system linking the heart of downtown St. Louis to the airport, the close-in suburbs, and the Illinois side of the region. By making use of extensive infrastructure, a system which was originally estimated to cost over $400 million would now run about one-third of that amount, or some $135 million. It seems to me the proposed St. Louis light rail system is exactly the type of cost-effective construction envisioned by the committee. The large local capital contribution represented by the use of existing infrastructure will triple the value of the Federal expenditures.

So, I ask the gentlemen if he would agree that the proposed St. Louis system is an example of the new starts envisioned by the committee.

Mr. ROSTENKOWSKI. The gentleman is correct. I am familiar with the St. Louis project and the constructive use of existing facilities it proposes. It is my understanding this is the type of new construction that would be eligible for financing out of mass transit account and should be given preference.

Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri (Mr. YOUNG).

Mr. YOUNG of Missouri. Mr. Chairman, I rise in support of the Surface Transportation Assistance Act of 1982 and urge its immediate passage. This legislation will provide the needed authorizations and revenues to rebuild the Nation's highways and bridges, as well as the public transportation systems.

Mr. Chairman, I am in support of the language that has been included in the report that has accompanied the revenue title of the highway bill where a fair share of the revenues apportioned to the mass transit account of the highway trust fund be spent on innovative and cost-effective light rail construction.

Over the past 6 years, the St. Louis Metropolitan Area has been developing a low-cost approach to establishing a modern, urban light rail transit system. The proposed project for St. Louis was selected after careful review of alternative projects and corridors. The project will use existing rights-of-way and existing infrastructure such as the historic Eads Bridge and its adjacent tunnel through downtown St. Louis. The estimated cost of the St. Louis light rail is $135 million, which is far below the original proposal.

The project presents a significant potential for linking economic development priorities in the St. Louis region, as well as several cultural centers. The light rail service will substantially improve traffic and transit service throughout the region. The existing bus service will feed directly into the proposed light rail line. Traffic congestion and downtown parking will be reduced to a large extent.

A recently completed transportation planning study sponsored by the Urban Mass Transit Administration indicated that the proposed project would have substantial ridership and compare favorably to all other light rail lines operating or under construction in the United States.

Mr. Chairman, it is my understanding that the St. Louis light rail project is exactly the kind of project that was the intent of the committee in the report language. It is also my understanding that this project should receive high priority and be given preference by the Urban Mass Transit Administration, as well as be eligible for Federal funds as a new rail start under the language provided in the report.

Mr. Chairman, would you agree that the St. Louis light rail project is the kind of project that was intended by the committee as a cost-effective and innovative new start?

Mr. ROSTENKOWSKI. Yes; it is my understanding the gentleman is correct.

Mr. YOUNG of Missouri. I thank the gentleman.

□ 2400

Mr. CONABLE. Mr. Chairman, I yield 4 minutes to the gentleman from South Carolina (Mr. HARTNETT).

Mr. HARTNETT. Mr. Chairman, I thank the distinguished ranking Member for yielding me some time.

Mr. Chairman, Abraham Lincoln, I think, once said that you do not build up your own house by tearing down the house of another. You do not jeopardize 9 million jobs in the trucking industry with the hopes of curing our unemployment ills with 320,000 new jobs.

What we are doing here is increasing the user tax on large truckers from $210 to over $2,000 and that just is not fair.

What we are saying is that if large trucks did not use our highways at all, then they would not deteriorate at all, that the elements and the smaller trucks and other vehicles would not cause any deterioration to our roads at all, that it is all done by the large truckers.

What we are saying is that we should not charge anybody excessive excise taxes but large truckers.

You know, they do not do anything for the economy. They do not provide jobs in the trucking industry. They do not pay taxes now. They do not provide what little bit of fuel taxes we are getting.

Now, you know, we Americans are funny. We say to ourselves, look at what we have done in the way of conservation. Look at the mileage that our automobiles get.

Now, we do not send the Arabs that money for oil anymore. Instead, we send it to the Japanese for their automobiles.

Mr. Chairman, we are going to kill the goose that lays the golden egg if we effectively pass this user tax onto the large truckers. We are adding, as one trucking firm in my district said, about $3,200 overall increase to an 80,000 pound truck. To a man that has 125 trucks, that is a $450,000 increase on his business.

Pass it on, you say. Everything that you have in this building or in your office or in your home arrived by truck. From the pencil that you write notes with to the typewriter or the copy machine which you use or the desk at which you sit, it all came by truck, large trucks probably at some point. If you pass that tax on to that large trucker, he is going to pass it on to that pencil or that desk or that copy machine or that piece of paper or the pair of shoes you have on your feet; which means that consumer prices are going up, which means that inflation is going up.

Mr. Chairman, if you want to pass a user tax, pass a 6-cent or a 7-cent-a-gallon tax on fuel, but do not adversely treat a trucker that provides employment, that pays taxes now, that is trying to operate profitably.

You know, we talk about creating a climate in which small business can operate to provide jobs so that we do not have to create jobs on the Government payroll for people who are unemployed, and yet when someone tries to operate a business profitably, we figure all the devious ways we can to take money away from that businessman in the form of taxes.

Well, I will tell you, you are going to create a large unemployment percentage in the trucking industry if you pass this user tax, because it is not the little truckers that provide employment. It is the big truckers. It is not the little truckers that give us the bulk of our fuel tax from trucking fuel, it is the big truckers.

I am telling you this, that if you heard about the proverbial goose that laid the golden egg and you want to wring its neck, that is what you are doing with this user tax bill that you are trying to pass now on to large truckers.

They are not the only ones that deteriorate our roads and our bridges and our highways.

I urge you to think twice before you vote in favor of this bill.

I thank the ranking member for giving me this time.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 3 minutes to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Chairman, I had not really wanted to speak now and I will be brief.

The last argument sounds attractive on its face, but there are some flaws in it I think that should be pointed out.

This is a balanced package of benefits and costs. The truckers not only get a tax, they also get wider trucks, longer trucks, heavier trucks, and tandem trucks. Without the user tax, they cannot get that. The President will not sign the bill. The Ways and Means Committee probably would not pass it and I do not think you would want to do it either when you stop to think about it.

Now, about the gentleman's argument that we are just hitting the trucks, that is not so. This study, and it was conducted under three administrations, under the Ford administration, under the Carter administration, and under the Reagan administration, has been going on for a number of years at the direction of the Congress with input from the Congress on it, not only the respective committees, but the Congressional Budget Office. It has been a wide-open test. Everybody has had a chance to look at, it criticize it. If you go to the last page of that green sheet that is on all these desks here, you will see a cost-benefit ratio of what this study concluded, an open study, a critical study; everyone had a chance to criticize it and you will find that the heavier trucks are still not paying their fair share.

Now, they do not do all the damage to the highways, but they do a large portion of the damage to the highways. No one suggests that they do it all.

There are perhaps 1,000 different ways you could work this out. This follows the traditional way. We have had a user tax for a long time, but the heavier trucks got a substantial benefit or subsidy before. They are still getting a subsidy. It is just not as great a subsidy.

In total, this is a balanced package. There are benefits in it for the industry and there is cost-sharing in there for the industry.

This report and study that I refer to was made public back in May of this year. I doubt that any one of you heard from anybody that was interested in it more than 2 days ago or 3 days ago.

Certainly the industry has got to protest. Nobody wants more taxes and I do not want any more on them; but there is a responsibility for us to share the burden and the benefits equitably and this package does it.

Mr. CONABLE. Mr. Chairman, I yield 1 minute to the gentleman from Louisiana (Mr. MOORE).

Mr. MOORE. Mr. Chairman, unfortunatley I rise in opposition to H.R. 6211 due to the measure's deficiency in design and function of title V as written by the Committee on Ways and Means to impose some $5.5 billion annually in new taxes upon the American people.

I do not oppose the other provisions in the bill as the Nation's Interstate Highway System needs and deserves fiscal attention to complete remaining sections and upgrade existing highways and bridges already in disrepair or deteriorating rapidly. I do seriously question the method in this bill to pay for it. The tax provisions of this proposal are flawed both in concept and design for several reasons.

At the outset, we were told the nickel increase in the excise tax on motor fuels is a user fee and not a tax. A tax by any other name is a tax and this user fee is a tax and an unwise method of raising taxes at that. DOT testimony before the National Tax Association-Tax Institute of America in 1979 stated that the fuel tax paid by private automobiles is hardly a user charge at all, but rather a general excise tax. Eighty-five percent of American households have at least one car or pickup truck, therefore, their paying 4 cent a gallon fuel tax is only barely distinguishable from the Nation as a whole. There is not really a separate and distinct group compensating the taxpayer-at-large for the cost of the highway program, as they are one in the same. By comparison, in 1980 only 79 percent of American households paid Federal income tax.

It is not only a tax increase, but title V is regressive in structure, will likely result in little, if any, improvement in the Nation's unemployment rate, and invades a tax area normally reserved for State revenue collection and State gas tax increases.

This nickel increase in motor fuel tax is regressive because gasoline purchases account for a higher percentage of the income of low-income families than for high-income families. A Congressional Budget Office study released in June 1981 found that households with less than $7,400 in annual income spend an average of 8.2 percent of income on gasoline, while households with an income of $36,900 or more spend 3.7 percent. As the motor fuels tax is imposed at a flat rate of 4 cents per gallon, it is regressive in the same proportion as gasoline cost distribution as a percentage of income. Further, this study found it is most regressive in the South which is the region in which the State and congressional district I am privileged to represent is located.

Increasing the tax by another nickel just increases the dimension of an existing regressive tax structure and increases disproportionately the tax burden on lower income taxpayers. This conclusion is corroborated by a study of a Rand Corp. analysis by James P. Stucker prepared under a grant from the National Science Foundation. We have already increased regressive excise taxes this year on cigarettes and telephones, and I am very concerned at this continuing trend.

Much dispute has centered on the question of employment change as a result of the bill. Some assume perhaps as many as 320,000 new jobs would be directly or indirectly attributed to this bill. Martin S. Feldstein, Chairman of the Council of Economic Advisers, has reportedly cautioned against such a rosy outlook. He was quoted most recently on November 29, 1982, before the Washington Press Club as saying this proposal may actually increase unemployment during the first year or two and produce a net loss of 20,000 jobs. His argument states the increase in transportation construction jobs would be more than offset by a decline in jobs in industries that produce goods and services that consumers would otherwise buy with the $5.5 billion they will now pay to the Federal Government in increased gasoline taxes. Comments from Bruce Bartlett, staff member of the Joint Economic Committee, in the Wall Street Journal on November 30, 1982, agree that there will be no net jobs created and further points out that the nickel increase may simply accelerate the purchase of smaller, more fuel-efficient foreign cars, just as the OPEC oil price increase did, further damaging the hard-hit U.S. auto industry. I am led to believe, according to press accounts, there are similar studies and results at the Treasury Department and OMB, which I have requested but have been denied.

Attention must also be given to the question of the nickel increase on the basis of use of gasoline excise taxes by States for their own revenue base to pay for State obligations. This is a form of sales tax and has been widely recognized by States as such. All but two States impose an excise tax on gasoline.

Last year 22 States enacted increases in their gas tax structures and a total of 40 State legislatures had bills before them for this purpose. The Highway Users Federation found this to be a record. Bills to increase gas taxes have been introduced in at least 18 States this year, 6 of which passed gas tax increases in 1981. A total of six States passed legislation so far this year to increase State excise taxes on gasoline. Clearly, States are looking to this revenue base for their own purposes and their historic ability to use it is seriously eroded by title V of H.R. 6211. We must leave to the States some sources of revenues and not compete with them if possible, lest we in combination and without coordination overtax a particular commodity or disproportionately utilize a particular revenue-raising device.

In 1980, I came to the conclusion that President Carter's 10-cent-per-gallon tax increase was bad tax policy and led successful floor efforts to defeat it. I find no reason to reverse my conclusion simply because we are now asked to pass a tax of half that amount.

Therefore, although the highways do need additional financing, this tax is not the proper, best, or fairest ways and means to raise the revenue. Unfortunately this body has not considered any of the many possible alternative revenue-raising devices that would not be regressive or compete with the States' efforts to raise revenue. The fast track this legislation has taken indicates no interest in proper tax policy or alternatives, just revenue results as quickly as possible.

The tax bill was introduced on Tuesday, November 30; the hearing was on Wednesday, December 1; the markup and passage of the bill out of the Committee on Ways and Means on a voice vote having refused my request for a recorded vote occurred on Thursday, December 2; a rule granted by the Rules Committee on Friday, December 3; and now the measure is up for debate and final passage on Monday, December 6.

This is a rather incredulous procedure for a major tax bill insuring the taxpayers of insufficient consideration of the tax by their elected Representatives.

Mr. Chairman, title V of this bill imposes a new tax at a time and in a manner the Nation does not need or deserve. H.R. 6211 should be defeated.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. MINETA).

Mr. MINETA. Mr. Chairman, as a member of the House Public Works and Transportation Committee, I am pleased to reiterate my longstanding support for the legislation which levies a 5-cent-per-gallon user fee on gasoline. This legislation establishes the first regular and predictable stream of revenue for transit construction and repair, and it will provide substantial benefits to the citizens of this Nation.

In California, we now have 24,000 miles of deficient roads and about 5,500 substandard bridges, and we have been the victims of an inefficient administration ban on all new transit projects. Each year, Californians spend $6.9 billion—$100 each—in added driving costs because we drive over deficient road surfaces.

In Santa Clara County, the 5-cent user fee will particularly benefit us as a funding mechanism for the Guadalupe Corridor Light Rail Transit System, the San Jose Transit Mall, and the San Jose Intermodal Terminal. When funded, these projects and all of the highway projects aided by the gas user fee will shift workers from depressed construction industries into a realm where there is an overwhelming demand for work.

More importantly, projects funded by this user fee will help the entire economy. Both those who use mass transit systems and those who use roads will benefit from the mass transit projects, as these projects provide travel alternatives which reduce traffic congestion, operating costs, and congestion on highways. Similarly, not only drivers, but all consumers will benefit from the swifter, less expensive truck and automobile travel which will result from the repair of our State's roads and bridges.

The projects which will be funded by the gasoline user fee will improve the conditions and performance of our highways, increase productivity, and save Americans money. Thus, the surface transportation bill represents far-sighted policy, and I am proud to endorse it.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield such time as he may consume to the gentleman from Alabama (Mr. NICHOLS).

Mr. NICHOLS. Mr. Chairman, the legislation we consider today is championed as a step toward assisting in putting people back to work and certainly no one could argue the need in the face of the highest unemployment this Nation has experienced since the Great Depression. The unemployment rate in the State which I represent and the hardship associated with unemployment are of the gravest concern to me. Now, Mr. Chairman, coming from a State where the unemployment rate currently exceeds 15 percent, it might be expected that I would be in support of this gasoline tax and were I fully convinced that a great number of individuals in my congressional district and in my State would go back on the employment rolls, I would be more inclined to consider supporting this legislation. But I am not convinced of that, Mr. Chairman, and neither am I convinced that my State of Alabama will receive its equitable share of the moneys raised by this increase in the gasoline tax.

For the past week now I have been trying to get someone to tell me how my State will share in the overall $5 billion which H.R. 6211 is expected to bring in through additional taxation. I have not been able to obtain these figures. However, in going through the Atlanta airport last Friday afternoon, I noted in heavy headlines on the front page of the Atlanta evening paper that the Atlanta Intercity Transportation System, better known as MARTA, is expected to receive in that one city alone some $32 million should this legislation pass.

But there is still another concern that I have in that included in this bill I find a sort of "carrot and stick" approach aimed, I would suppose, to secure the support of the large trucking companies across the Nation. The provision, as I understand it, would specifically permit by law on our interstate system from California to Maine and from Key West to the Canadian border the large major truck lines to operate their large trailers in tandem, and this should give some concern to each and every American who utilizes the Nation's highways. Frankly, I would have some concern in driving in the darkest of the night in all sorts of weather behind an 18 wheeler which is pulling a second trailer in tandem. Certainly, I would not want to pass such a rig on a rainy night and I believe there is very definitely an unsafe situation embodied in that practice.

Finally, Mr. Chairman, I will tell you there is a great deal of concern in the trucking industry as well as with all other industries which use trucks to haul our Nation's goods because of the unreasonably large increases in the Federal taxes, particularly the user fees assessed to each of these trucks.

There are those who will argue that these increased taxes will only be passed on to the consumers in the form of higher transportation charges. That would be a callous argument. The burden of our economic recovery should not fall on the backs of the consumers. They have already suffered enough from high Federal taxes.

At the same time, the transportation industry should not be expected to absorb this increased tax liability. Independent, small, and medium size trucking firms are already operating on only the smallest profit margins as a result of the deregulation of that industry. Additional unreasonable expenses will cause many of these firms already working to stay in operation to simply go out of business. This Congress hardly wants to be responsible for adding to our unemployment rolls, but that is what these revenue provisions will do.

Mr. Chairman, in many ways I am supportive of the intent of the legislation in that the Nation certainly needs to improve it's highways and bridges and had the bill come to the floor with a rule so that much needed changes could be made in spelling out the exact apportionment of the legislation together with effecting needed changes in the tax structure, then I would have no doubt been in support of its passage. Unfortunately, there is no opportunity under the closed rule and it is, therefore, my intention to oppose passage of H.R. 6211.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 3 minutes to the gentleman from New York (Mr. OTTINGER).

Mr. OTTINGER. Mr. Chairman, I thank the gentleman for yielding.

I have joined with the chairman of the Joint Economic Committee, the gentleman from Wisconsin (Mr. REUSS) in seeking to defeat this tax, with the hope that we could substitute a cap on the tax reduction that is due to go into effect in July 1983, which would raise, as the gentleman indicated, more revenue and would do so without costing jobs.

I join him in support of a program such as that presented here to repair our infrastructure. Certainly that is very badly needed.

I sympathize with the gentleman from Illinois when he says that the tax on gasoline has been at the same rate for some time and perhaps deserves reconsideration; but I feel very strongly that now is just not the time to do that at a time when our economy is teetering on the brink of collapse, at a time when we have the greatest unemployment since the Great Depression is not the time for converting a program which could create many jobs. It has been cited that it would create perhaps 200,000 or 300,000 jobs, with an offset that will result in our losing more jobs than the public works aspect of this creates. It just does not make sense.

The chairman of the President's Economic Advisers indicates that that will be the result.

In the Wall Street Journal just on November 30 it said:

> Perhaps most important, the gasoline tax boost will have negative effects on employment that no one has taken into account. It is certainly not going to do any good for the hard-hit U.S. auto industry. It may simply accelerate the purchase of smaller, more fuel-efficient foreign cars just as the OPEC oil price increase did.
>
> And even if we assume that as many jobs are created as are destroyed—a very questionable assumption—the tax is likely to be implemented first, meaning that the job-de-

stroying effect on the tax will occur before the job-creating effect of the public works spending.

□ 2410

The tax is also unfair. We have just recently alleviated the wealthy people in this country, wealthy corporations of this country, of a large measure in paying their fair share of the tax burden.

Now we go to a tax whose primary burden is going to be on low- and middle-income people. There was a study that was done recently by the Rand Corp., financed by the National Science Foundation, written up in a magazine called Public Policy by James W. Stucker. It makes a detailed analysis of households. It finds that a tax on gasoline would fall much harder on poor and middle-income families than those that are better off.

The CHAIRMAN. The time of the gentleman from New York (Mr. OTTINGER) has expired.

Mr. ROSTENKOWSKI. Mr. Chairman, I yield 1 additional minute to the gentleman from New York (Mr. OTTINGER).

Mr. OTTINGER. Forty percent of the gasoline taxes are paid by families with incomes of less than $5,000 per year, and 85 percent is paid by those with incomes of less than $10,000 a year. The poorer families and the working families tend to drive more.

While the average cost of this may be $30 per year per person, the person who has to drive to and from work is going to have to pay several hundred dollars. Indeed, this study finds that most of the low- and middle-income people have second-hand cars, and they tend to have older cars which consume a great deal more gasoline.

So this study finds that the preponderance of the burden would be on low- and middle-income families.

In constrast, the cap on the income tax reduction would give the full income tax reduction to everybody making less than $45,000 a year, would give $700 to everybody, and would be a much fairer tax, and I would hope this tax would be defeated.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio (Mr. OXLEY).

Mr. OXLEY. Mr. Chairman, I rise in opposition to H.R. 6211, the Surface Transportation Act, primarily because of the impact this bill would have on the small, family run, owner-operated trucking firms in my State of Ohio. When the bill was originally proposed by the administration, I wholeheartedly supported the concept of a 5-cent-per-gallon fee. I also endorsed the targeted projects for the projected revenues created by the user fee. I also endorsed the targeted projects for the projected revenues created by the user fee. However, as many of my colleagues have noted after studying the details of the bill, the measure contains a death blow to most of the smaller trucking firms across the country.

There is no doubt that America's highways and bridges are in desperate need of repair. However, funding these repair projects by specifically penalizing smaller family run trucking firms smacks of competitive discrimination within the trucking industry.

The burden of this user fee would be borne by the small trucking companies, which, by the way, are predominant in Ohio, and would literally put most of the smaller companies out of business. Currently, most of the trucking firms in Ohio are suffering because of the dismal economy coupled with the adverse effects of deregulation. In fact, one of my local firms in Lima, Ohio, is losing at least $15,000 every morning, just by opening its doors. The effect of an additional tax on these trucking firms would spell the kiss of death to their businesses.

Let me point out a few additional facts which bear out my opposition. First, the unemployment rate among union drivers in Ohio ranks among the highest in the country at 38 percent. If one takes into account the number of nonunion drivers and their corresponding unemployment, that figure most certainly skyrockets.

Second, the profit margin of short-haul, intrastate haulers is currently less than one-half of 1 percent. That is substantially down from the 4- to 5-percent profit margin enjoyed by the trucking industry before deregulation. By asking the small trucking firms to absorb a substantial tax burden per truck, in addition to those taxes already paid into the highway trust fund, the certain result will be thousands of displaced trucking jobs.

Third, the additional taxes spell increased operating costs for the small trucking firms by at least 4 percent. That impact is probably representative of the truckload freight industry, where the profit margin is about 1 percent. The obvious consequence of this added tax is that a large number of companies such as Ohio's will be literally taxed out of existance, or else freight rates will have to be increased, with the full effect of the cost passed along to shippers and eventually consumers.

Finally, with respect to the jobs creation portion of the bill, it must be remembered that the creation of thousands of construction jobs on bridges and highways will be offset by the huge amounts of unemployed trucking industry personnel.

I would urge my colleagues to defeat this measure.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. SHUMWAY).

Mr. SHUMWAY. Mr. Chairman, I rise in opposition to H.R. 7360, the Surface Transportation Act of 1982. I have given this matter a great deal of thought and realize that credible arguments can be made in favor of some kind of action. As a former county supervisor, I am well aware of the need to repair and reconstruct certain roads and bridges. However, the legislation before us today is not the correct answer. H.R. 7360 would unfairly and unjustifiably raise taxes, and futhermore, this bill would not even accomplish the objectives that its proponents have identified.

Raising the gas tax to finance highway programs is the wrong approach for two reasons. First, contrary to it popular image, H.R. 7360 violates the user-fee concept, thereby unfairly distributing the costs of this bill. For example, under revenue disbursement formulas contained in the highway programs, at least 10 States, including my own State of California, receive substantially few dollars in benefits than the amount they pay into the highway trust fund. Or viewed from a different angle, it is estimated that about 1 driving mile in 4 is driven off the Interstate System, thus penalizing these nonusers who are still required to pay a gas tax. Finally, there is no justification whatsoever from a user-fee perspective to use 20 percent of the new highway trust fund moneys for public transit assistance. It seems ludicrous to me that a highway commuter in Stockton, Calif., should be required to subsidize the electric subway in New York City.

No matter how proponents attempt to disguise the fact, the gas tax proposal is what it seems to be—a substantial increase in Federal taxes. It is estimated that the average driver will spend an additional $30 annually as a result of the 5-cents-per-gallon increase. This is money that would otherwise be saved and invested, or spent in the private sector. At a time when Federal taxes, as a percentage of GNP, are at their highest level since World War II, it makes little sense to enact a tax bill of this magnitude when the economy is only now showing signs of recovery. Although such signs exist—interest rates, for instance, are declining rapidly—corporate liquidity is at its lowest level in 40 years, before-tax profits are down 30 percent from last year, and business failures are running at their highest rate in 50 years. Simply stated, increasing taxes at a time of 10.8 percent unemployment runs contrary to all economic logic.

Those who would argue that this legislation creates jobs have not fully considered the impact of this bill. For every dollar that the consumer pays in higher gas taxes, less money will be made available for consumer demand in the private market. In fact, Martin

Feldstein, Chairman of the Council of Economic Advisers, has calculated that raising the gas tax could cost as many as 20,000 more jobs than it creates. The business of government has never been to create jobs, but especially not when it does so at the expense of jobs in the private sector.

Not only is it wrong to call H.R. 7360 a jobs program, this bill's emphasis is not even focused on what has been identified as its major justification; the need to repair and reconstruct our Nation's highway system. Approximately two-thirds of the money generated by the gas tax would go to build new roads and complete missing segments of the Interstate System. Only one-third is to go to all forms of upgrading.

Mr. Chairman, instead of supporting this ill-conceived legislation, I would urge my colleagues to encourage reliance on the private sector, and secondarily, on State and local governments, to meet the needs of our transportation infrastructure, Privately financed and operated toll roads would mean better upkeep at less cost. A 1978 study by the National Transportaton Policy Study Committee, as reported by the Council for a Competitive Economy, concluded that "by and large, toll roads are better maintained than other roads."

State and local governments should also assume more responsibility for the construction and maintenance of roads, bridges, and public transit. Road conditions vary widely from State to State and merit selective repair. Some States have been responding to their individual needs with innovative ideas. For example, I have learned that Wisconsin and Pennsylvania are considering toll options, contracting out segment construction, and other market-oriented financing schemes. With this kind of progress being made on redefining the traditional Federal/State highway relationship, it seems to me the wrong time to pass another multiyear highway bill that commits the Federal Government to new financial responsibilities in this area.

In sum, this bill is an inappropriate response to a problem that largely needs to be addressed outside of the Federal arena. I therefore strongly urge my colleagues to join me in opposition to H.R. 7360.

● Mr. CHENEY. Mr. Chairman, I rise in opposition to the proposed 5-cent-per-gallon increase in the gasoline tax, because I am convinced that such a tax increase could wipe out more jobs than it would create.

Such an eventuality was first suggested several days ago by the President's Chief Economic Adviser, Martin Feldstein, and a number of conversations I have had since with constituents in my State of Wyoming convince me of the validity of Mr. Feldstein's warning that the higher tax may worsen unemployment, instead of reducing it.

There are many businesses in Wyoming and across the country, including many small trucking interests which serve rural communities, that are in very bad shape because of the recession. They are barely hanging in there, and for them, the gasoline tax increase could be the straw that broke the camel's back. It very likely would drive them out of business, and we could end up destroying more jobs than would be created by the highway constructon which the tax increase is supposed to generate.

Many people are confident that our economy will soon begin a strong recovery, and I am among those who believe better days are ahead. But right now, a lot of people are still in trouble. This is not a good time to impose a tax increase of this magnitude.

I would be the first to agree that our highways and bridges are in need of repair, and that it is appropriate that such repairs be financed by user fees. I commend Secretary of Transportation Drew Lewis for putting together a very good program to bring about those repairs. But I cannot go along with the timing, which would more than double user fees at a time when our economy can least stand it.●

● Mr. BEREUTER. Mr. Chairman, I wish to voice my intentions regarding final passage of this bill so that there will be no misunderstanding regarding my vote on it.

I support a 5-cent gas tax. I have traveled the highways of my State. I believe they represent one of our country's greatest assets. They carry truckers, tourists, people, agricultural products. They are immeasurably important to our economy and our way of life.

I cast my vote in favor of this bill with several reservations, however, and I want to lay them out very clearly for my colleagues. I want to go on record as being inclined to oppose this bill in its postconference form if these imperfections are not mitigated to some substantial degree in the other body or in conference.

My first objection is the elimination of the one-half of 1 percent minimum allocation provision, which is unfair to rural States and unfair to those States which have completed their interstate construction.

Second, I am concerned that this bill has shifted too much of the financing burden onto heavy truckers. In my State of Nebraska, even profitable trucking firms do not net the $2,000 to $3,000 per truck which this bill would impose in user fees. They would have no choice but to pass the tax along to the end user, and in Nebraska the end user is agriculture—the stockman, farmer or meat packer who needs heavy truck transportation but have in most instances, no place to pass on those costs without losing markets. Especially in those rural areas where the railroads have abandoned service to grain shipppers in our small communities, the only alternative has become an increased reliance upon the trucking industry to meet the needs of agriculture.

A third area of concern is in the 4R formula factors. These factors have a long-term effect on our State highway budgets and even shifts which appear to be small will have a significant net effect in the outyear. The usual version in the other body for the 4R formula is a more equitable one for low population density States than is the one in the House version.

Finally, I am concerned that this bill provides only for a 4-cent exemption for gasohol rather than a full exemption as we have in present law. As the young alcohol fuel industry begins to become a viable and self-supporting enterprise, it is essential that the Congress not act counterproductively on an industry that has the potential to consume mass quantities of agricultural products.●

● Ms. FERRARO. Mr. Chairman, I rise in support of H.R. 6211, the Surface Transportation Act of 1982.

This bill addresses two of our most pressing domestic problems—unemployment and our crumbling transportation system. Its approach is direct and logical—to put the unemployed to work repairing roads and bridges and improving public transit.

The need for the bill is great. Unemployment nationally is 10.8 percent, with 12 million Americans out of work. In the construction industry, the rate is 23 percent. It has become clear that the key to economic recovery is to put people back to work.

As for our transportation system, the problems are becoming all too familiar. Twenty percent of the Interstate System, some 8,000 miles, is beyond its design life and needs repair. For too long, we have neglected our roads and bridges. The failure to perform needed maintenance over the years now threatens the smooth flow of people and commerce. The broad bipartisan support for this legislation reflects the growing awareness that we cannot afford to wait any longer to stop the steady deterioration.

In the transit area, the bill continues Federal support for urban mass transportation. Over 4 years, $16.5 billion is provided in transit aid. In an important breakthrough, a public transportation trust fund is established as a separate account within the highway trust fund. Approximately $1.1 billion of the annual revenue from the Federal gas tax will be used for mass transit. Thus, for the first time, mass transit is assured a reliable source of funds.

Revenues for both the highway and transit portions of the bill are provided by a 5-cent-a-gallon increase in the Federal gasoline tax. Currently, the tax is 4 percent a gallon. It has not been changed since 1959.

Part of the reason proper maintenance has not been performed on our roads and bridges is the failure of revenues from the gas tax to keep pace with the needs of the system, especially the rising costs of construction and repairs. As a result, the trust fund has been drawn down steadily.

In 1959, when the gasoline tax was set at 4 percent, a gallon of gasoline cost about a quarter. Today, the tax is still 4 percent, even though gasoline costs $1.25. The nickel increase provided in this bill is a moderate and reasonable approach to pay for needed road repairs.

There is substantial controversy over the bill's increases in user fees for the trucking industry. In raising the funds needed to pay for rebuilding our highways, we need to try to spread the burden fairly, so that there is a reasonable relationship between the damage done to our roads by a certain class of vehicles and the share of taxes paid by that class.

The changes in this bill help make that relationship more fair. In the past drivers of small trucks have borne more than their share of repair costs, to the benefit of heavy truck operators. A recent 3-year study concluded that while heavy trucks are paying only 60 percent of their share compare to the damage they do, smaller trucks pay 90 percent more than their share.

This bill improves the distribution of costs, though heavy trucks still are subsidized. Even with the new taxes and fees, they will still pay only 77 percent of the costs they might be expected to bear.

There is some concern in the trucking industry that this increase may impose too great a burden on already hard-pressed truckers. I am, of course, concerned that this program, which is designed to create jobs for construction workers, not wind up costing jobs for truckers.

To balance any possible adverse affects of the increased user fees, the bill gives truckers several new advantages. First, the bill increases the maximum weight and length of trucks permitted on the interstate. Estimates of benefits to truckers from this change alone are $4 billion a year.

Second, the improvements to the highways and bridges will help productivity in the industry. Highways strewn with potholes and bridges that sway with the wind force delays in transport time that increase costs to trucking companies. Completing the Interstate System and repairing other highways and bridges will help restore economic health to the industry.

To begin the improvements, over the next 4 years this bill provides $16 billion for the Interstate System, $10.4 billion for resurfacing and rehabilitation of the interstate, $8.8 billion for the primary road system, $6.9 billion for bridge repair, and $3.2 billion for urban roads. In addition to increased funding levels, the bill makes other changes that will help States deal with their problems.

My own State of New York will benefit from overdue formula changes in two areas. Under current law, no State can receive more than 8 percent of Federal bridge repair funds. Because we have so many bridges needing repairs, that cap keeps New York from getting its full share of funds. This bill increases the cap to 10 percent, which means an additional $148 million for New York.

The second change involves the primary road program, where the new formula makes urban population more important. This change also increases New York's aid by about $150 million over 4 years.

In addition to these changes, the bill continues Federal operating assistance for transit systems. The Reagan administration favors eliminating operating aid, and I am pleased the committee has chosen to continue to recognize the importance of our Nation's subways to the economic health of our cities.

Even with the $16.6 billion the bill provides for transit aid, many cities still face serious funding problems. An amendment I sponsored to this bill could provide needed help. The amendment calls for a study of having the Department of Transportation enter into long-term agreements with local transit authorities to assure a steady flow of annual aid. The local agency could then use the funds as leverage to raise more money by issuing bonds.

This plan has already been used successfully in New York. Adopting a similar approach at the Federal level would give local transit authorities a big boost without increasing Federal spending.

The last issue I would like to discuss is the provision prohibiting discrimination on the basis of sex in employment in Federal highway programs. Women have made progress in recent years in getting a larger share of highway construction jobs. As a matter of simple fairness, we should prohibit discrimination in Federal programs.

But the need to bar sex-based discrimination is made even greater by the job-creating purpose of this bill.

We have all come to understand that unemployment is as serious a problem for women as for men. No longer do women work for pin money. Women working today are frequently single parents, solely responsible for supporting their families. Other women must work to keep their families above the poverty line. As economic pressures on women grow, we must insure that women with the ability and the interest are not denied job opportunity because of discrimination.

The legislation we have before us is not perfect. It will not provide a job for every unemployed American, nor will it take care of all that is wrong with our roads. But it is a strong start at dealing with both problems. It deserves our support.●

Mr. CONABLE. Mr. Chairman, I yield back the balance of my time.

Mr. ROSTENKOWSKI. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. ROSTENKOWSKI).

The question was taken; and the Chairman announced that he was in doubt.

Mr. REUSS. Mr. Chairman, I demand a recorded vote, and pending that I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. One-hundred twenty-seven Members are present, a quorum.

RECORDED VOTE

The CHAIRMAN. The pending business is the demand of the gentleman from Wisconsin (Mr. REUSS) for a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 236, noes 169, not voting 28, as follows:

[Roll No. 420]

YEAS—236

| | | |
|---|---|---|
| Addabbo | Corcoran | Foglietta |
| Albosta | Coughlin | Foley |
| Anderson | Coyne, James | Ford (MI) |
| Annunzio | Coyne, William | Fowler |
| Anthony | Crockett | Frank |
| Aspin | D'Amours | Frenzel |
| Atkinson | Daub | Frost |
| Badham | DeNardis | Garcia |
| Bailey (PA) | Derrick | Gephardt |
| Barnard | Derwinski | Gibbons |
| Bedell | Dicks | Gingrich |
| Beilenson | Dingell | Glickman |
| Benedict | Dixon | Goodling |
| Bennett | Donnelly | Gradison |
| Bereuter | Dorgan | Gray |
| Biaggi | Dornan | Green |
| Bingham | Dougherty | Gregg |
| Bliley | Dowdy | Grisham |
| Boland | Downey | Guarini |
| Bowen | Dunn | Hagedorn |
| Breaux | Dymally | Hall (IN) |
| Brodhead | Eckart | Hamilton |
| Brooks | Edgar | Hance |
| Broomfield | Edwards (AL) | Heckler |
| Brown (OH) | Edwards (CA) | Heftel |
| Burgener | Erdahl | Hendon |
| Burton, Phillip | Erlenborn | Hightower |
| Butler | Ertel | Hiler |
| Carman | Evans (DE) | Hollenbeck |
| Carney | Evans (IN) | Howard |
| Clausen | Fary | Hoyer |
| Clay | Fazio | Huckaby |
| Clinger | Fenwick | Hunter |
| Coats | Ferraro | Hutto |
| Coelho | Findley | Ireland |
| Collins (IL) | Fish | Jacobs |
| Conable | Fithian | Jeffords |
| Conte | Flippo | Jones (NC) |

Jones (OK)
Kastenmeier
Kennelly
Kildee
Kogovsek
Kramer
LaFalce
Latta
LeBoutillier
Lee
Leland
Lent
Lewis
Lott
Lowery (CA)
Lowry (WA)
Luken
Lungren
Madigan
Markey
Martin (IL)
Martinez
Matsui
Mavroules
McClory
McCollum
McCurdy
McDade
McGrath
McHugh
McKinney
Mica
Michel
Mikulski
Miller (CA)
Mineta
Mitchell (MD)
Moakley
Moffett
Molinari
Montgomery
Moorhead
Morrison
Murtha
Napier
Natcher
Nelligan
Nelson
O'Brien
Oakar
Oberstar
Obey
Pashayan
Patman
Pease
Pepper
Petri
Peyser
Pickle
Porter
Price
Pritchard
Pursell
Rahall
Railsback
Rangel
Ratchford
Regula
Rodino
Rostenkowski
Roukema
Rousselot
Russo
Sabo
Scheuer
Schneider
Schroeder
Schulze
Schumer
Shamansky
Shannon
Sharp
Shaw
Simon
Skeen
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (PA)
Snyder
Solarz
St Germain
Stark
Staton
Stokes
Stratton
Swift
Tauke
Thomas
Traxler
Trible
Udall
Vander Jagt
Vento
Walgren
Waxman
Weber (MN)
Weber (OH)
Weiss
Whitehurst
Wilson
Wirth
Wolf
Wolpe
Wortley
Wright
Wyden
Wylie
Yates
Young (MO)
Zablocki
Zeferetti

NAYS—169

Akaka
Andrews
Applegate
Archer
Ashbrook
AuCoin
Bailey (MO)
Beard
Bethune
Boggs
Boner
Bonior
Bouquard
Brinkley
Brown (CA)
Brown (CO)
Broyhill
Burton, John
Byron
Campbell
Chappell
Chappie
Cheney
Coleman
Collins (TX)
Courter
Craig
Crane, Daniel
Crane, Philip
Daniel, Dan
Daniel, R. W.
Dannemeyer
Daschle
Davis
de la Garza
Dellums
Dickinson
Dreier
Duncan
Dwyer
Dyson
Early
Edwards (OK)
Emerson
Emery
English
Evans (IA)
Fiedler
Fields
Florio
Ford (TN)
Fountain
Fuqua
Gaydos
Gejdenson
Gilman
Ginn
Gonzalez
Gore
Gramm
Gunderson
Hall (OH)
Hall, Ralph
Hall, Sam
Hammerschmidt
Hansen (ID)
Hansen (UT)
Harkin
Hartnett
Hatcher
Hawkins
Hefner
Hertel
Hillis
Holland
Holt
Hopkins
Horton
Hubbard
Hughes
Hyde
Jeffries
Jenkins
Johnston
Jones (TN)
Kazen
Kemp
Kindness
Lagomarsino
Leach
Leath
Levitas
Livingston
Loeffler
Long (LA)
Long (MD)
Lujan
Lundine
Marlenee
Marriott
Martin (NC)
Martin (NY)
Mazzoli
McDonald
McEwen
Miller (OH)
Minish
Mitchell (NY)
Moore
Murphy
Myers
Neal
Nichols
Nowak
Ottinger
Oxley
Panetta
Parris
Paul
Perkins
Quillen
Reuss
Rinaldo
Ritter
Roberts (KS)
Roberts (SD)
Robinson
Roe
Roemer
Rogers
Rose
Roth
Roybal
Rudd
Savage
Sawyer
Seiberling
Sensenbrenner
Shelby
Shumway
Siljander
Smith (AL)
Smith (OR)
Snowe
Solomon
Spence
Stangeland
Stenholm
Studds
Stump
Synar
Tauzin
Taylor
Volkmer
Walker
Wampler
Washington
Watkins
Weaver
White
Whitley
Whittaker
Whitten
Williams (MT)
Williams (OH)
Winn
Yatron
Young (AK)
Young (FL)

NOT VOTING—28

Alexander
Bafalis
Barnes
Bevill
Blanchard
Bolling
Bonker
Chisholm
Conyers
Deckard
Evans (GA)
Fascell
Forsythe
Goldwater
Lantos
Lehman
Marks
Mattox
McCloskey
Mollohan
Mottl
Patterson
Rhodes
Rosenthal
Santini
Shuster
Skelton
Stanton

☐ 2430

The Clerk announced the following pairs:

On this vote:

Mr. Lantos for, with Mr. Mottl against.

Mr. Rosenthal for, with Mr. Bevill against.

Mr. MARTINEZ changed his vote from "no" to "aye."

So the amendment was agreed to.

The CHAIRMAN. The question is on the amendment in the nature of a substitute, as amended.

The amendment in the nature of a substitute as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker, having resumed the chair, Mr. NATCHER, Chairman of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 6211) to authorize appropriations for construction of certain highways in accordance with title 23, United States Code, for highway safety, for mass transportation in urban and rural areas, and for other purposes, pursuant to House Resolution 620, he reported the bill back to the House with an amendment by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and the third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. CLAUSEN

Mr. CLAUSEN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill in its present form?

Mr. CLAUSEN. In its present form, yes, Mr. Speaker, I am.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CLAUSEN moves to recommit the bill, H.R. 6211, as amended, to the Committee on Public Works and Transportation with instructions to report forthwith with an amendment: On page 106 of the committee substitute (H.R. 7360) on line 3 after "Within" delete the word "four" and insert "six".

The SPEAKER. The gentleman from California (Mr. CLAUSEN) is recognized for 5 minutes in support of his motion to recommit.

Mr. CLAUSEN. Mr. Speaker, Although I generally support the bill, I feel that the time allotted for the study provided for by section 314 is insufficient. This study is an important one and should be done right. I, therefore, urge my colleagues to join with me in lengthening the time allotted the Secretary of Transportation to study leverage financing from 4 to 6 months. Should this correction be made, I then feel that I would be in a position to support the legislation.

I urge my colleagues to join with me in support of the motion to recommit.

Mr. HOWARD. Mr. Speaker, will the gentleman yield?

Mr. CLAUSEN. I yield to the chairman of the committee.

Mr. HOWARD. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I would like to say that I agree with the gentleman from California (Mr. CLAUSEN). I think 4 months is an outrageously short time for this study. I believe that we should have the 6 months, as is contained in the gentleman's recommital motion. We support that provision.

Mr. CLAUSEN. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was agreed to.

The SPEAKER. The Chair recognizes the gentleman from New Jersey (Mr. HOWARD).

Mr. HOWARD. Mr. Speaker, pursuant to the instructions of the House, I report the bill, H.R. 6211, back to the House with an amendment.

The SPEAKER. The Clerk will report the amendment.

The Clerk read as follows:

Amendment: On page 106 of the committee substitute (H.R. 7360) on line 3 after "Within" delete the word "four" and insert "six".

The SPEAKER. The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

RECORDED VOTE

Mr. HARTNETT. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 262, noes 143, not voting 28 as follows:

[Roll No. 421]

AYES—262

| | | |
|---|---|---|
| Addabbo | Flippo | Miller (CA) |
| Albosta | Foglietta | Mineta |
| Anderson | Foley | Mitchell (MD) |
| Annunzio | Ford (MI) | Mitchell (NY) |
| Anthony | Ford (TN) | Moakley |
| Applegate | Fowler | Moffett |
| Aspin | Frank | Molinari |
| Atkinson | Frenzel | Montgomery |
| Badham | Frost | Morrison |
| Bailey (MO) | Garcia | Murtha |
| Bailey (PA) | Gejdenson | Napier |
| Barnard | Gephardt | Natcher |
| Bedell | Gibbons | Nelligan |
| Beilenson | Gilman | Nelson |
| Benedict | Gingrich | Nowak |
| Bennett | Goodling | O'Brien |
| Bereuter | Gradison | Oakar |
| Biaggi | Gray | Oberstar |
| Bingham | Green | Obey |
| Bliley | Gregg | Pashayan |
| Boggs | Grisham | Patman |
| Boland | Guarini | Pease |
| Bowen | Gunderson | Pepper |
| Breaux | Hagedorn | Petri |
| Brinkley | Hall (IN) | Peyser |
| Brodhead | Hamilton | Pickle |
| Brooks | Hammerschmidt | Porter |
| Broomfield | Hance | Price |
| Brown (CA) | Harkin | Pritchard |
| Brown (OH) | Hatcher | Pursell |
| Burgener | Hawkins | Quillen |
| Burton, John | Heckler | Rahall |
| Burton, Phillip | Heftel | Railsback |
| Butler | Hendon | Rangel |
| Carman | Hightower | Ratchford |
| Carney | Hiler | Regula |
| Clausen | Hillis | Reuss |
| Clay | Hollenbeck | Rodino |
| Clinger | Howard | Roe |
| Coats | Hoyer | Roemer |
| Coelho | Hunter | Rostenkowski |
| Collins (IL) | Hutto | Roukema |
| Conable | Ireland | Russo |
| Conte | Jacobs | Sabo |
| Corcoran | Jeffords | Savage |
| Coughlin | Jones (NC) | Scheuer |
| Coyne, James | Kastenmeier | Schneider |
| Coyne, William | Kennelly | Schroeder |
| Crockett | Kildee | Schulze |
| D'Amours | Kogovsek | Schumer |
| Daub | Kramer | Seiberling |
| Dellums | LaFalce | Shamansky |
| DeNardis | Latta | Shannon |
| Derrick | Leach | Sharp |
| Derwinski | LeBoutillier | Shaw |
| Dicks | Lee | Simon |
| Dingell | Leland | Smith (IA) |
| Dixon | Lent | Smith (NE) |
| Donnelly | Levitas | Smith (NJ) |
| Dorgan | Lewis | Smith (PA) |
| Dougherty | Long (LA) | Snyder |
| Dowdy | Lott | Solarz |
| Downey | Lowery (CA) | St Germain |
| Dunn | Lowry (WA) | Stark |
| Dwyer | Lujan | Staton |
| Dymally | Luken | Stokes |
| Dyson | Madigan | Stratton |
| Edgar | Markey | Swift |
| Edwards (AL) | Martin (IL) | Tauke |
| Edwards (CA) | Martinez | Thomas |
| Erdahl | Matsui | Traxler |
| Erlenborn | Mavroules | Trible |
| Ertel | Mazzoli | Udall |
| Evans (DE) | McClory | Vander Jagt |
| Evans (IA) | McCollum | Vento |
| Evans (IN) | McDade | Volkmer |
| Fary | McEwen | Walgren |
| Fazio | McGrath | Washington |
| Fenwick | McHugh | Waxman |
| Ferraro | McKinney | Weber (MN) |
| Findley | Mica | Weber (OH) |
| Fish | Michel | Weiss |
| Fithian | Mikulski | Whitehurst |
| Williams (OH) | Wortley | Young (MO) |
| Wilson | Wright | Zablocki |
| Wirth | Wyden | Zeferetti |
| Wolf | Wylie | |
| Wolpe | Yates | |

NOES—143

| | | |
|---|---|---|
| Akaka | Gore | Oxley |
| Andrews | Gramm | Panetta |
| Archer | Hall (OH) | Parris |
| Ashbrook | Hall, Ralph | Paul |
| AuCoin | Hall, Sam | Perkins |
| Beard | Hansen (ID) | Rinaldo |
| Bethune | Hansen (UT) | Ritter |
| Boner | Hartnett | Roberts (KS) |
| Bonior | Hefner | Roberts (SD) |
| Bouquard | Hertel | Robinson |
| Brown (CO) | Holland | Rogers |
| Broyhill | Holt | Rose |
| Byron | Hopkins | Roth |
| Campbell | Horton | Rousselot |
| Chappell | Hubbard | Roybal |
| Chappie | Huckaby | Rudd |
| Cheney | Hughes | Sawyer |
| Coleman | Hyde | Sensenbrenner |
| Collins (TX) | Jeffries | Shelby |
| Courter | Jenkins | Shumway |
| Craig | Johnston | Siljander |
| Crane, Daniel | Jones (OK) | Skeen |
| Crane, Philip | Jones (TN) | Smith (AL) |
| Daniel, Dan | Kazen | Smith (OR) |
| Daniel, R. W. | Kemp | Snowe |
| Dannemeyer | Kindness | Solomon |
| Daschle | Lagomarsino | Spence |
| Davis | Leath | Stangeland |
| de la Garza | Livingston | Stenholm |
| Dickinson | Loeffler | Studds |
| Dornan | Long (MD) | Stump |
| Dreier | Lundine | Synar |
| Duncan | Lungren | Tauzin |
| Early | Marlenee | Taylor |
| Eckart | Marriott | Walker |
| Edwards (OK) | Martin (NC) | Wampler |
| Emerson | Martin (NY) | Watkins |
| Emery | McCurdy | Weaver |
| English | McDonald | White |
| Fiedler | Miller (OH) | Whitley |
| Fields | Minish | Whittaker |
| Florio | Moore | Whitten |
| Fountain | Moorhead | Williams (MT) |
| Fuqua | Murphy | Winn |
| Gaydos | Myers | Yatron |
| Ginn | Neal | Young (AK) |
| Glickman | Nichols | Young (FL) |
| Gonzalez | Ottinger | |

NOT VOTING—28

| | | |
|---|---|---|
| Alexander | Evans (GA) | Mottl |
| Bafalis | Fascell | Patterson |
| Barnes | Forsythe | Rhodes |
| Bevill | Goldwater | Rosenthal |
| Blanchard | Lantos | Santini |
| Bolling | Lehman | Shuster |
| Bonker | Marks | Skelton |
| Chisholm | Mattox | Stanton |
| Conyers | McCloskey | |
| Deckard | Mollohan | |

☐ 2450

The Clerk announced the following pairs:

On this vote:

Mr. Lantos for, with Mr. Mottl against.

Mr. Rosenthal for, with Mr. Bevill against.

Mr. VOLKMER changed his vote from "no" to "aye."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. ANDERSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 6211, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

## AUTHORIZING CLERK TO MAKE TECHNICAL CORRECTIONS IN ENROLLMENT OF H.R. 6211

Mr. ANDERSON. Mr. Speaker, I ask unanimous consent that the Clerk be authorized to make technical corrections in the enrollment of the bill, H.R. 6211.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

## TRIBUTE TO HON. BUD SHUSTER

(Mr. CLAUSEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CLAUSEN. Mr. Speaker, I would like to take just a moment to address the House, to bring to the attention of the Members the fact that our distinguished colleague, the gentleman from Pennsylvania (Mr. SHUSTER), who is the ranking minority member on the subcommittee and was here earlier today during the course of the presentation of the legislation, was actually ordered by his doctor to leave the Chambers so that he could get more in the way of rest, having had to recover from an automobile accident.

I only wanted to make the point that if ever there was a gentleman who made the extra effort, went that extra mile on behalf of his own legislative responsibilities, it was BUD SHUSTER of Pennsylvania.

I think this is a real tribute, the legislation having passed with the kind of vote that it did. It is truly a great tribute to the gentleman from Pennsylvania.

## IN PRAISE OF HON. BUD SHUSTER

(Mr. HOWARD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOWARD. Mr. Speaker, I wish to thank the gentleman for his remarks and to tell the Members of the House that BUD SHUSTER had been working on this legislation for literally years. We know he had a very severe accident just before election, had two operations since that time. But even during the final deliberations on this bill, was part of the meetings and negotiations to put this legislation together, by telephone from his hospital bed. We are very, very happy to see him with us for the short time he was able to stay today.

I wish to agree with the gentleman from California that in many, many ways this is to a good measure the Shuster bill, as well as the Public Works and the House of Representatives bill.

I wish to thank the gentleman for bringing that to the attention of the Members.

## THE WEATHERIZATION AND EMPLOYMENT ACT OF 1982

(Mr. OTTINGER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.

Mr. OTTINGER. Mr. Speaker, today I am introducing the Weatherization and Employment Act of 1982. This bill has two purposes. First, it would expand the existing low-income weatherization program at the Department of Energy and would authorize sufficient funding to weatherize the remaining 12 million low-income homes in the Nation that have yet to receive this assistance. Second, the bill would provide significant new employment opportunities. In addition to the jobs created by the expanded program, job training would be offered to prepare weatherization workers to enter the energy conservation industry and related construction and maintenance fields.

Of the 14 million low-income households in the Nation, the DOE weatherization program has already weatherized close to 2 million homes. The results of this program have been impressive, both in terms of energy savings for the Nation and income savings for low-income people. According to a 1981 study by the Consumer Energy Council, weatherization results in savings to low-income households of 27 percent in their fuel bills, or 4 percent of their average annual income. This figure is significant because low-income households spend a larger proportion of their income on energy than other income groups—often as high as 40 percent. Because they have little disposal income, they usually cannot afford to make the improvements in their homes that are needed to reduce energy needs beyond the economies they have already achieved through reduced comfort.

In addition, the low-income weatherization program delivers energy at a cost per barrel of oil equivalent which makes it a cheaper way to expand the Nation's energy resources than any other form of energy production. According to the Consumer Energy Council, the low-income weatherization program has "produced" saved energy at less than half the cost the resident would pay for oil, electricity, or natural gas.

The potential for employment in the weatherization industry is particularly impressive. The conservation industry is a labor-intensive industry, particularly as compared to other forms of energy production. Estimates based on figures from the Bureau of Labor Statistics indicate that this program will create over 61,000 jobs in the first year and produce 280,000 additional work years over the life of the program investment. These additional job opportunities are attributable to the employment created when low-income households respend their energy savings in other sectors of the economy. This expanded weatherization program could save 135,000,000 barrels of oil equivalent, which translates into a savings of $6.1 billion that low-income households would otherwise be obligated to pay on fuel bills. At this level of savings the amount spent on the program would be easily repaid in a few years through reduced financial assistance for fuel assistance to the poor.

This program would cost a total of $14.85 billion over the next 11 years, starting with a $500 million authorization level in fiscal year 1983 and scaling up to an annual level of $1.5 billion. In addition, the bill would create a performance fund, composed of 10 percent of the total funding, that would permit the Secretary of Energy to reward those States that have demonstrated excellent performance in terms of the quantity of houses weatherized or the quality of their weatherization programs.

Under the bill, priority would be given to employing workers who have been unemployed for at least 17 weeks, which was the average duration of the unemployed American worker in October 1982.

The bill would also make several changes to increase the effectiveness of the existing program, including permitting efficient replacement heating systems to be eligible for weatherization assistance, providing information to homeowners about the maintenance of weatherization measures and providing information about the weatherization of multifamily buildings.

Mr. Speaker, it is hard for me to think of a program that has as many benefits for the Nation's economy as an expanded weatherization program. Despite the Reagan administration's repeated attempts to kill the weatherization program, this Congress has steadfastly restored funding showing strong support of the most important of our energy conservation programs. At a time when we are trying to put our Nation back to work, I propose that we expand this proven, successful program to train our unemployed citizens to enter a new and promising industry. Simultaneously, we will contribute to the energy savings of our low-income citizens and reduce the dollars that this Nation is sending out of the country for energy expenditures.

☐ 0100

## A TRIBUTE TO THE HONORABLE BO GINN, FIRST DISTRICT OF GEORGIA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. LEVITAS) is recognized for 60 minutes.

### GENERAL LEAVE

Mr. LEVITAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks in connection with this special order.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. LEVITAS. Mr. Speaker, the occasion of this special order which I have asked for and taken is to honor a colleague of ours who will not be returning next year, Congressman Bo GINN of Georgia. Bo GINN is one of the most decent human beings I have ever had the pleasure of knowing. He is a true gentleman, a loyal American, and someone who has made a difference for his community and his State and has made this institution a better place for his being here.

Mr. Speaker, the retirement of Bo GINN from the Congress is a time of personal sadness for me, because Bo is a good friend and a valued colleague. But my sadness is tempered by the fact that I know he will always remain a good friend to me personally, and he will always remain a powerful advocate for the people of his beloved State of Georgia and this Nation.

All of us know that when we leave the Congress, there will be a time when this legislative body will pause to take our measure. Our colleagues and our constituents and others will look back over our careers, and they will remember.

Mr. Speaker, it is my own hope that when I leave the Congress, I will do so having earned, as Bo GINN has earned, the respect and the admiration and the good will of all those I have worked with.

To the people of his First District and all of Georgia, Bo has typified the high traditions of public service to our State. He is a man who took the time to learn how the Congress works as an institution, and he is a man who took the time to help make it work better.

If you have had the honor of serving with Bo on a committee, as I did for 4 years, you had the honor of learning some special skills that are in all too short a supply in our midst today.

Bo has chaired three subcommittees during his 10 years of service—the Subcommittee on Public Buildings and

Revenues for both the highway and transit portions of the bill are provided by a 5-cent-a-gallon increase in the Federal gasoline tax. Currently, the tax is 4 percent a gallon. It has not been changed since 1959.

Part of the reason proper maintenance has not been performed on our roads and bridges is the failure of revenues from the gas tax to keep pace with the needs of the system, especially the rising costs of construction and repairs. As a result, the trust fund has been drawn down steadily.

In 1959, when the gasoline tax was set at 4 percent, a gallon of gasoline cost about a quarter. Today, the tax is still 4 percent, even though gasoline costs $1.25. The nickel increase provided in this bill is a moderate and reasonable approach to pay for needed road repairs.

There is substantial controversy over the bill's increases in user fees for the trucking industry. In raising the funds needed to pay for rebuilding our highways, we need to try to spread the burden fairly, so that there is a reasonable relationship between the damage done to our roads by a certain class of vehicles and the share of taxes paid by that class.

The changes in this bill help make that relationship more fair. In the past drivers of small trucks have borne more than their share of repair costs, to the benefit of heavy truck operators. A recent 3-year study concluded that while heavy trucks are paying only 60 percent of their share compare to the damage they do, smaller trucks pay 90 percent more than their share.

This bill improves the distribution of costs, though heavy trucks still are subsidized. Even with the new taxes and fees, they will still pay only 77 percent of the costs they might be expected to bear.

There is some concern in the trucking industry that this increase may impose too great a burden on already hard-pressed truckers. I am, of course, concerned that this program, which is designed to create jobs for construction workers, not wind up costing jobs for truckers.

To balance any possible adverse affects of the increased user fees, the bill gives truckers several new advantages. First, the bill increases the maximum weight and length of trucks permitted on the interstate. Estimates of benefits to truckers from this change alone are $4 billion a year.

Second, the improvements to the highways and bridges will help productivity in the industry. Highways strewn with potholes and bridges that sway with the wind force delays in transport time that increase costs to trucking companies. Completing the Interstate System and repairing other highways and bridges will help restore economic health to the industry.

To begin the improvements, over the next 4 years this bill provides $16 billion for the Interstate System, $10.4 billion for resurfacing and rehabilitation of the interstate, $8.8 billion for the primary road system, $6.9 billion for bridge repair, and $3.2 billion for urban roads. In addition to increased funding levels, the bill makes other changes that will help States deal with their problems.

My own State of New York will benefit from overdue formula changes in two areas. Under current law, no State can receive more than 8 percent of Federal bridge repair funds. Because we have so many bridges needing repairs, that cap keeps New York from getting its full share of funds. This bill increases the cap to 10 percent, which means an additional $148 million for New York.

The second change involves the primary road program, where the new formula makes urban population more important. This change also increases New York's aid by about $150 million over 4 years.

In addition to these changes, the bill continues Federal operating assistance for transit systems. The Reagan administration favors eliminating operating aid, and I am pleased the committee has chosen to continue to recognize the importance of our Nation's subways to the economic health of our cities.

Even with the $16.6 billion the bill provides for transit aid, many cities still face serious funding problems. An amendment I sponsored to this bill could provide needed help. The amendment calls for a study of having the Department of Transportation enter into long-term agreements with local transit authorities to assure a steady flow of annual aid. The local agency could then use the funds as leverage to raise more money by issuing bonds.

This plan has already been used successfully in New York. Adopting a similar approach at the Federal level would give local transit authorities a big boost without increasing Federal spending.

The last issue I would like to discuss is the provision prohibiting discrimination on the basis of sex in employment in Federal highway programs. Women have made progress in recent years in getting a larger share of highway construction jobs. As a matter of simple fairness, we should prohibit discrimination in Federal programs.

But the need to bar sex-based discrimination is made even greater by the job-creating purpose of this bill.

We have all come to understand that unemployment is as serious a problem for women as for men. No longer do women work for pin money. Women working today are frequently single parents, solely responsible for supporting their families. Other women must work to keep their families above the poverty line. As economic pressures on women grow, we must insure that women with the ability and the interest are not denied job opportunity because of discrimination.

The legislation we have before us is not perfect. It will not provide a job for every unemployed American, nor will it take care of all that is wrong with our roads. But it is a strong start at dealing with both problems. It deserves our support.●

Mr. CONABLE. Mr. Chairman, I yield back the balance of my time.

Mr. ROSTENKOWSKI. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. ROSTENKOWSKI).

The question was taken; and the Chairman announced that he was in doubt.

Mr. REUSS. Mr. Chairman, I demand a recorded vote, and pending that I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. One-hundred twenty-seven Members are present, a quorum.

RECORDED VOTE

The CHAIRMAN. The pending business is the demand of the gentleman from Wisconsin (Mr. REUSS) for a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 236, noes 169, not voting 28, as follows:

[Roll No. 420]

YEAS—236

| | | |
|---|---|---|
| Addabbo | Corcoran | Foglietta |
| Albosta | Coughlin | Foley |
| Anderson | Coyne, James | Ford (MI) |
| Annunzio | Coyne, William | Fowler |
| Anthony | Crockett | Frank |
| Aspin | D'Amours | Frenzel |
| Atkinson | Daub | Frost |
| Badham | DeNardis | Garcia |
| Bailey (PA) | Derrick | Gephardt |
| Barnard | Derwinski | Gibbons |
| Bedell | Dicks | Gingrich |
| Bellenson | Dingell | Glickman |
| Benedict | Dixon | Goodling |
| Bennett | Donnelly | Gradison |
| Bereuter | Dorgan | Gray |
| Biaggi | Dornan | Green |
| Bingham | Dougherty | Gregg |
| Bliley | Dowdy | Grisham |
| Boland | Downey | Guarini |
| Bowen | Dunn | Hagedorn |
| Breaux | Dymally | Hall (IN) |
| Brodhead | Eckart | Hamilton |
| Brooks | Edgar | Hance |
| Broomfield | Edwards (AL) | Heckler |
| Brown (OH) | Edwards (CA) | Heftel |
| Burgener | Erdahl | Hendon |
| Burton, Phillip | Erlenborn | Hightower |
| Butler | Ertel | Hiler |
| Carman | Evans (DE) | Hollenbeck |
| Carney | Evans (IN) | Howard |
| Clausen | Fary | Hoyer |
| Clay | Fazio | Huckaby |
| Clinger | Fenwick | Hunter |
| Coats | Ferraro | Hutto |
| Coelho | Findley | Ireland |
| Collins (IL) | Fish | Jacobs |
| Conable | Fithian | Jeffords |
| Conte | Flippo | Jones (NC) |

Jones (OK)
Kastenmeier
Kennelly
Kildee
Kogovsek
Kramer
LaFalce
Latta
LeBoutillier
Lee
Leland
Lent
Lewis
Lott
Lowery (CA)
Lowry (WA)
Luken
Lungren
Madigan
Markey
Martin (IL)
Martinez
Matsui
Mavroules
McClory
McCollum
McCurdy
McDade
McGrath
McHugh
McKinney
Mica
Michel
Mikulski
Miller (CA)
Mineta
Mitchell (MD)
Moakley
Moffett
Molinari
Montgomery
Moorhead
Morrison
Murtha
Napier
Natcher
Nelligan
Nelson
O'Brien
Oakar
Oberstar
Obey
Pashayan
Patman
Pease
Pepper
Petri
Peyser
Pickle
Porter
Price
Pritchard
Pursell
Rahall
Railsback
Rangel
Ratchford
Regula
Rodino
Rostenkowski
Roukema
Rousselot
Russo
Sabo
Scheuer
Schneider
Schroeder
Schulze
Schumer
Shamansky
Shannon
Sharp
Shaw
Simon
Skeen
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (PA)
Snyder
Solarz
St Germain
Stark
Staton
Stokes
Stratton
Swift
Tauke
Thomas
Traxler
Trible
Udall
Vander Jagt
Vento
Walgren
Waxman
Weber (MN)
Weber (OH)
Weiss
Whitehurst
Wilson
Wirth
Wolf
Wolpe
Wortley
Wright
Wyden
Wylie
Yates
Young (MO)
Zablocki
Zeferetti
Washington
Watkins
Weaver
White
Whitley
Whittaker
Whitten
Williams (MT)
Williams (OH)
Winn
Yatron
Young (AK)
Young (FL)

NAYS—169

Akaka
Andrews
Applegate
Archer
Ashbrook
AuCoin
Bailey (MO)
Beard
Bethune
Boggs
Boner
Bonior
Bouquard
Brinkley
Brown (CA)
Brown (CO)
Broyhill
Burton, John
Byron
Campbell
Chappell
Chappie
Cheney
Coleman
Collins (TX)
Courter
Craig
Crane, Daniel
Crane, Philip
Daniel, Dan
Daniel, R. W.
Dannemeyer
Daschle
Davis
de la Garza
Dellums
Dickinson
Dreier
Duncan
Dwyer
Dyson
Early
Edwards (OK)
Emerson
Emery
English
Evans (IA)
Fiedler
Fields
Florio
Ford (TN)
Fountain
Fuqua
Gaydos
Gejdenson
Gilman
Ginn
Gonzalez
Gore
Gramm
Gunderson
Hall (OH)
Hall, Ralph
Hall, Sam
Hammerschmidt
Hansen (ID)
Hansen (UT)
Harkin
Hartnett
Hatcher
Hawkins
Hefner
Hertel
Hillis
Holland
Holt
Hopkins
Horton
Hubbard
Hughes
Hyde
Jeffries
Jenkins
Johnston
Jones (TN)
Kazen
Kemp
Kindness
Lagomarsino
Leach
Leath
Levitas
Livingston
Loeffler
Long (LA)
Long (MD)
Lujan
Lundine
Marlenee
Marriott
Martin (NC)
Martin (NY)
Mazzoli
McDonald
McEwen
Miller (OH)
Minish
Mitchell (NY)
Moore
Murphy
Myers
Neal
Nichols
Nowak
Ottinger
Oxley
Panetta
Parris
Paul
Perkins
Quillen
Reuss
Rinaldo
Ritter
Roberts (KS)
Roberts (SD)
Robinson
Roe
Roemer
Rogers
Rose
Roth
Roybal
Rudd
Savage
Sawyer
Seiberling
Sensenbrenner
Shelby
Shumway
Siljander
Smith (AL)
Smith (OR)
Snowe
Solomon
Spence
Stangeland
Stenholm
Studds
Stump
Synar
Tauzin
Taylor
Volkmer
Walker
Wampler

NOT VOTING—28

Alexander
Bafalis
Barnes
Bevill
Blanchard
Bolling
Bonker
Chisholm
Conyers
Deckard
Evans (GA)
Fascell
Forsythe
Goldwater
Lantos
Lehman
Marks
Mattox
McCloskey
Mollohan
Mottl
Patterson
Rhodes
Rosenthal
Santini
Shuster
Skelton
Stanton

□ 2430

The Clerk announced the following pairs:

On this vote:

Mr. Lantos for, with Mr. Mottl against.

Mr. Rosenthal for, with Mr. Bevill against.

Mr. MARTINEZ changed his vote from "no" to "aye."

So the amendment was agreed to.

The CHAIRMAN. The question is on the amendment in the nature of a substitute, as amended.

The amendment in the nature of a substitute as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker, having resumed the chair, Mr. NATCHER, Chairman of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 6211) to authorize appropriations for construction of certain highways in accordance with title 23, United States Code, for highway safety, for mass transportation in urban and rural areas, and for other purposes, pursuant to House Resolution 620, he reported the bill back to the House with an amendment by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and the third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. CLAUSEN

Mr. CLAUSEN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill in its present form?

Mr. CLAUSEN. In its present form, yes, Mr. Speaker, I am.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CLAUSEN moves to recommit the bill, H.R. 6211, as amended, to the Committee on Public Works and Transportation with instructions to report forthwith with an amendment: On page 106 of the committee substitute (H.R. 7360) on line 3 after "Within" delete the word "four" and insert "six".

The SPEAKER. The gentleman from California (Mr. CLAUSEN) is recognized for 5 minutes in support of his motion to recommit.

Mr. CLAUSEN. Mr. Speaker, Although I generally support the bill, I feel that the time allotted for the study provided for by section 314 is insufficient. This study is an important one and should be done right. I, therefore, urge my colleagues to join with me in lengthening the time allotted the Secretary of Transportation to study leverage financing from 4 to 6 months. Should this correction be made, I then feel that I would be in a position to support the legislation.

I urge my colleagues to join with me in support of the motion to recommit.

Mr. HOWARD. Mr. Speaker, will the gentleman yield?

Mr. CLAUSEN. I yield to the chairman of the committee.

Mr. HOWARD. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I would like to say that I agree with the gentleman from California (Mr. CLAUSEN). I think 4 months is an outrageously short time for this study. I believe that we should have the 6 months, as is contained in the gentleman's recommital motion. We support that provision.

Mr. CLAUSEN. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was agreed to.

The SPEAKER. The Chair recognizes the gentleman from New Jersey (Mr. HOWARD).

Mr. HOWARD. Mr. Speaker, pursuant to the instructions of the House, I report the bill, H.R. 6211, back to the House with an amendment.

The SPEAKER. The Clerk will report the amendment.

The Clerk read as follows:

Amendment: On page 106 of the committee substitute (H.R. 7360) on line 3 after "Within" delete the word "four" and insert "six".

The SPEAKER. The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Drew Lewis

The President has seen____

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

~~December 12, 1965~~

Dear Mr. President, December 12, 1982

After much thought and careful consideration, I have come to the conclusion that it is an appropriate time for me to return to the private sector. I would like to do so, with your permission, on February 1st.

The past three years, one year as a campaign volunteer and two years serving in your Cabinet, have been the most gratifying of my life. It has been a great privilege to serve you and

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

to be a part of your Administration. I have the highest regard for you, for your policies and for your leadership. As I have said to many groups on many occasions, "to serve President Reagan is to serve the best."

We have, however, accomplished many of the objectives we discussed at the time you first asked me to join the Cabinet. We have brought Conrail to the point where it can be returned to the private sector. A national airspace program has been defined

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

and is underway. Both of these initiatives are close to completion and can be ably consummated by another Secretary.

I am extremely grateful for your support and for your confidence in me in all of our programs and especially during the difficult days of the air traffic controllers strike. As I told many people, even the most difficult problems can be handled when you have the solid backing of the President.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

I will be pleased and honored to assist you in any way I can as a volunteer if you wish me to do so. I believe the country would benefit greatly from four more years of your leadership and would like to be involved in the campaign should you choose to run.

Marilyn joins me in expressing our appreciation and in extending our affection to you and to Nancy. We admire you greatly for what you are doing for our country, and we

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

love you for being what you are. Thank you for allowing me to share in what you are doing for America, and for the privilege of serving in your Administration.

Sincerely,

Drew Lewis

The President has seen

THE WHITE HOUSE

WASHINGTON

December 18, 1982

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD G. DARMAN Dick
KENNETH M. DUBERSTEIN

SUBJECT: PHONE CALL <u>FROM</u> HOWARD BAKER

Howard Baker is likely to call you within a couple of hours to discuss the legislative situation. He will undoubtedly raise the following:

-- <u>The Continuing Resolution</u> (CR). He may ask what you would accept <u>re</u> jobs. You would presumably say you'd have to veto anything over $1.2 billion. You <u>may</u> wish to suggest that you could accept some <u>lower</u> level of additional funding for <u>humanitarian</u> purposes (say, $300-500 million <u>IF</u> this were part of an otherwise largely satisfactory CR that included the MX compromise and adequate defense appropriations for the rest of the year.

He may also ask whether you would accept a short-term tide-us-over-type CR after (or instead of) vetoing an unsatisfactory one. We believe you should say: <u>No</u> -- the lame duck was called to deal with the appropriations and the Congress should stay until it has addressed these. (Further, a short-term CR would mean re-opening all the same issues with a new, less favorably oriented Congress . . . .)

-- <u>The Highway/Gas Tax Bill and the CBI Bill</u>. Baker may say that there is not sufficient time or energy left to get these done. We believe you should again say that they are needed; and that failure to enact them will reflect badly on all concerned.

Howard with Bob Dole & Paul [illegible] said they wanted to go for the gas tax bill & keep the Sen. in all night. I said go.

And, on behalf of all Americans who have expressed concern and outrage about the seal hunt, I wish to commend the Council of Ministers for its wise action on this matter. We will all watch the next vote on a permanent ban very closely.

Mr. Speaker, a similar resolution has already been adopted by the Senate. This resolution is meant to celebrate the birth of the seal rather than its often brutal death, which has frequently been noted in the past. March 1 has been proclaimed the "International Day of the Seal" in many nations. In the United States, the focus of the festivities last year was New York City, where the Paul Winter Consort gave two benefit concerts in the Cathedral of St. John the Divine to help focus attention on the beauty of this natural event.

March 1 is a particularly significant day in the eternal cycle of the harp seal. Each year around this time, about 400,000 harp seal pups are born off the coast of Newfoundland and in the Gulf of St. Lawrence. In the first 2 months of their lives, approximately 180,000 of them will be killed before their bright white coat begins to molt and turns to the gray adult coat.

Much has been made of the often brutal and inhumane method of killing these animals. The hunt is conducted by Canadian and Norwegian nationals under the supervision of the Canadian Government, which justifies the harvest on the grounds of herd management techniques that are supposed to allow the herd to increase. However, a recent study by two population dynamics experts concluded that the methods used to determine quotas contained biases that led to underestimations of both the decline of the stock and the natural mortality rate. Nevertheless, the quotas remain unchanged and will be filled in the next 2 months.

Many U.S. citizens have expressed outrage over the clubbing that is used to kill the seal pups. On March 1, however, we can project a more positive, upbeat feeling about the seal by celebrating its birth. I urge my colleagues to support this resolution and observe the International Day of the Seal in any manner they see fit.

Further, I wish to take this time to commend the Ministers of the European Community for their actions. I am hopeful that their action may result in a loss of the last viable market for these furs, and thus lead to the end of this horrible afront to one of nature's most beautiful events, the birth of the baby harp seal.

I cannot close without mentioning the role that our late heroic member Leo Ryan played in trying to bring an end to this slaughter. I traveled off the coast of Newfoundland with Leo in 1978 to protest this kill. In a way that only Leo could do, he helped focus world attention on this tragic event. This was only one of Leo's many similar efforts to demonstrate inequities in this world. As you know, Leo was killed in Jonestown.

Also present at that time was Pamela Sue Martin, more widely known as Nancy Drew, and now appearing as Fallon on the TV series "Dynasty." Her sincere disgust and protest on behalf of our children assisted greatly in helping Leo focus attention on the senselessness of this event.

Friends of Leo should take heart that this crusade in which he played a leading part is nearing victory.●

Mr. WALKER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the concurrent resolution, as follows:

H. CON. RES. 236

Whereas the seal is an essential and inseparable part of the marine ecosystem; and

Whereas the seal, of which there are some thirty-three species, is a land mammal that returned to the oceans twenty to thirty million years ago; and

Whereas the presence of the seal helps maintain the health and balance of this environment; and

Whereas the presence of the seal is an indication of a whole and healthy ecosystem; and

Whereas the seal is a social creature with a highly evolved nervous system and physiology especially adapted to its marine environment; and

Whereas the seal epitomizes the freedom and the mystique of the oceans and in many cultures is revered as a spiritual embodiment of the mind in the waters; and

Whereas March is the month of the year when the Harp seals pup, renewing their eternal cycle; and

Whereas the growing worldwide awareness of the ecological and esthetic value of the seal has led to a desire to designate a special day of recognition: Now, therefore, be it

*Resolved by the House of Representatives (the Senate concurring),* That the Congress proclaims March 1, 1983, as the "National Day of the Seal" and urges all citizens to join in this celebration of life with appropriate activity.

AMENDMENT OFFERED BY MR. GARCIA

Mr. GARCIA. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GARCIA: On page 2, line 2, strike "March 1, 1982" and insert in lieu thereof, "March 1, 1983".

The amendment was agreed to.

The concurrent resolution was agreed to.

TITLE AMENDMENT OFFERED BY MR. GARCIA

Mr. GARCIA. Mr. Speaker, I offer an amendment to the title.

The Clerk read as follows:

Amend the title so as to read: To declare March 1, 1983, as "National Day of the Seal".

A motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. GARCIA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the legislation just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The SPEAKER pro tempore. The Chair understands that the conference papers on the highway bill, the gas tax bill, are on their way to this Chamber and will be here momentarily. Until they arrive, the Chair will recognize for unanimous-consent requests.

Mr. ROUSSELOT. Mr. Speaker, I ask unanimous consent that we balance the budget.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Hearing none, the request is granted.

## RECESS

The SPEAKER. The House will stand in recess until 8:15 p.m.

Accordingly (at 8 o'clock and 6 minutes p.m.), the House stood in recess until 8:15.

## AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 8 o'clock and 15 minutes p.m.

□ 2020

## CONFERENCE REPORT ON H.R. 6211, SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

Mr. ROSTENKOWSKI submitted a conference report and statement on the bill (H.R. 6211) to authorize appropriations for construction of certain highways in accordance with title 23, United States Code, for highway safety, for mass transportation in urban and rural areas, and for other purposes.

The SPEAKER. The Chair recognizes the gentleman from Illinois (Mr. ROSTENKOWSKI).

Mr. ROSTENKOWSKI. Mr. Speaker, pursuant to the earlier agreement, I call up the conference report on the bill (H.R. 6211) to authorize appropriations for construction of certain highways in accordance with title 23, United States Code, for highway safety, for mass transportation in urban and rural areas, and for other purposes, and ask for its immediate consideration.

The SPEAKER. Pursuant to the previous order of the House, the conference report is considered as read.

(For conference report and statement, see proceedings of the House of today, December 21, 1982.)

The SPEAKER. The gentleman from Illinois (Mr. ROSTENKOWSKI) will be recognized for 30 minutes, and the gentleman from New York (Mr. CONABLE) will be recognized for 30 minutes.

The Chair recognizes the gentleman from Illinois (Mr. ROSTENKOWSKI).

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 15 minutes to the gentleman from New Jersey (Mr. HOWARD).

Mr. CONABLE. Mr. Speaker, I yield half of my time to the gentleman from Pennsylvania (Mr. SHUSTER).

The SPEAKER. A half hour has been yielded to the Committee on Public Works and Transportation.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield myself 6 minutes.

The SPEAKER. The Chair recognizes the gentleman from Illinois (Mr. ROSTENKOWSKI).

Mr. ROSTENKOWSKI. Mr. Speaker, House and Senate conferees have reached an agreement on the revenue title to the Surface Transportation Assistance Act of 1982 (H.R. 6211). This title finances the increased levels of highway and mass transit spending by increasing net tax receipts from highway user taxes and extending the highway trust fund through 1988.

Both Houses agreed to increase the present gasoline tax by 5 cents, with 1 cent earmarked for mass transit. The gasohol exemption is increased by 1 cent, bringing the total tax on gasohol to 4 cents.

The Senate conferees have agreed to many of the House-passed provisions. A number of miscellaneous taxes, like those on lubricating oil, inner tubes and truck parts, were repealed. In addition, the conferees agreed to repeal the tax on tread rubber and to impose a graduated rate schedule on tires, completely exempting passenger tires. The tax on trucks and trailers would be imposed at 12 percent at the retail level on trucks weighing more than 33,000 pounds.

The conferees also reached a compromise on the tax rate schedule for heavy trucks which is near that approved by the House. Beginning in July 1984, the maximum tax on the heaviest trucks would be increased to $1,600. In subsequent years, the tax would rise to a maximum of $1,700 in 1986, $1,800 in 1987, and $1,900 in 1988. The House conferees also agreed to the Senate provisions allowing a 5,000-mile exemption and permitting refunds of the tax under certain circumstances.

The House conferees also agreed to a number of other Senate amendments exempting from fuel taxes qualified taxicabs and alcohol fuels. They further agreed to an extended period for payment of fuel taxes by certain oil jobbers. The Senate receded on the remainder of its amendments in the highway title.

The revenue impact of this compromise generally falls within the original parameters of the House bill. In short, the compromise more than adquately funds the highway provisions of this bill.

Mr. Speaker, this is a fair compromise that reflects the original House objectives of reallocating the burden of the tax to the heaviest users—those who impose the heaviest cost on the system—and eliminating a number of existing nuisance taxes on private automobiles and lightweight trucks.

Finally, the conferees agreed to strike other nongermane Senate amendments with the following exceptions:

An increase of $1 in the return filing level for dependents.

Allowing certain mutual funds to pass through tax-exempt interest under certain circumstances.

Providing an energy credit for 1982 only for a chlor-alkalai electrolytic cells.

The House accepted with modifications provisions it had passed earlier on deductions for conventions held on U.S. cruise ships. Also accepted were provisions regarding the normalization method for public utility property similar to those continued in H.R. 1524.

The House conferees accepted a Senate provision that adds additional weeks of unemployment compensation in States with extremely high unemployment rates.

The Committee on Ways and Means may hold hearings next year to review and evaluate the affirmative commitment rules for the energy tax credits applicable to synthetic fuels.

As my colleagues remember, the Congress adopted a special Federal supplemental compensation program (FSC) in the tax bill last August. This program gives workers who exhaust their State unemployment benefits, or Federal/State extended compensation up to an additional 10 weeks of benefits depending upon the insured unemployment rate in their State. Let me add that a State-by-State breakdown of additional weeks is available at the table. This program is fully financed by the Federal Government and is a direct congressional initiative to help unemployed workers.

Unfortunately, many workers under this existing program have exhausted or will exhaust in the very near future their FSC benefits. Given the state of the economy, it is unlikely that many will find employment in months ahead.

This new provision adds additional weeks under the Federal supplemental compensation program. Depending on the level of unemployment in your State, workers will receive either 6, 4, or 2 weeks of additional unemployment compensation benefits.

This new extension of benefits will cost $550 million.

The conference report also includes a Senate amendment that will allow SSI and AFDC recipients to receive assistance in meeting their home energy costs from private organizations, such as a special fund established by a utility company, without having their monthly grant reduced. A similar provision was included in the continuing resolution we just approved.

Mr. Speaker, this legislation has not been easily accomplished. Raising revenues is never a happy enterprise. But we have done what was necessary, and in the process we have better rationalized the taxes we impose on the users of our national highway system.

No one worked harder, or more effectively, for this landmark law than the Secretary of Transportation, Mr. Lewis. His perseverance and understanding carried this measure through some perilous times, and I applaud him.

Finally, I applaud the courage and wisdom of the majority on both sides of the aisle. I urge the entire House to support this conference report.

Mr. KAZEN. Mr. Speaker, will the gentleman yield for a question?

Mr. ROSTENKOWSKI. Mr. Speaker, I will yield time to the gentleman later.

I reserve the balance of my time.

Mr. CONABLE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I support the revenue title of the conference report on H.R. 6211, which in part is the result of extensive and persistent work by the Secretary of Transportation and his admiring associates in the Congress.

It should be emphasized, Mr. Speaker, that under the leadership of the chairman of our committee, the gentleman from Illinois, House conferees were able to maintain substantially the key aspects of the original House-passed bill. The most significant change in current law under the conference agreement, the increase in the gasoline and diesel fuel excise tax from 4 cents per gallon to 9 cents per gallon, is consistent with both the original House-passed bill and the version approved by the other body. The gasohol subsidy goes from 4 cents a gallon to 5 cents a gallon.

The legislation does have a negative aspect in that it imposes a tax on work. Many Americans, who must drive personal cars to and from their jobs, will pay out more because of this measure. But this "downside" effect is offset by the measure's very positive benefits—an improved and safer highway and bridge network, plus several hundred thousand jobs in a basic in-become effective, the Secretary shall take the following actions:

Not less than 30 days prior to the date he wishes to have the provision of subsection (b)(2) become effective, he shall publish a notice in the Federal Register giving all details pertaining thereto; including, but not limited to, the date on which his determination will become effective, the project involved, the cost of the project, and an explanation as to why it is not in the national interest to apply the buy American requirements of subsection (a).

For the purposes of implementing this section of the act the buy American provision applies to the purchase of and/or the leasing of all equipment.

I think the members of the committee of conference did a marvelous job and the staffs certainly have been working on this for weeks.

I would just like to point out once more the cooperation, the coordination, and the efforts to compromise of our ranking member. This is his last legislative act here this evening because he will not be with us and we will all lose from that. I speak of the gentleman from California (Mr. CLAUSEN) who deserves a great deal of credit for this legislation.

Mr. WHITE. Mr. Speaker, will the gentleman yield?

Mr. HOWARD. I yield to the gentleman from Texas.

Mr. WHITE. I have a question. I thank the distinguished chairman for yielding.

What did the conference do relating to the tandem and to the width of trucks?

Mr. HOWARD. On the tandem what we have in our legislation, as the gentleman knows, if they were, they pay the additional money and coming out of the Ways and Means Committee, which they did, there would have been the 102-inch width. That was taken care of because that was passed. That was passed in the appropriations of the Department of Transportation just a few days ago, so that was out there.

What we passed on the tandem, the links, which would permit the tandems, is in this conference report with the additional funds.

Mr. WHITE. Is there anything relating to the weight in the conference report?

Mr. HOWARD. Yes. This is the 80,000 weight which 47 of the 50 States have now, so it only affects three States.

Ms. OAKAR. Mr. Speaker, will the gentleman yield?

Mr. HOWARD. I am happy to yield.

Ms. OAKAR. First, I want to commend the gentleman and all the others involved.

Second, I want to ask what is the State's contribution. On the House side, as I recall, the State did not have to contribute match for a year.

Mr. HOWARD. The gentlewoman is right. As she knows, with the States not being ready to handle this money, that was another thing. I thank the gentlewoman for bringing that up. What we had was this: We had a provision where the first year's money would be available to the States without a match, that we would expect it to be paid back by the second year. Whatever would not be paid back by the second year would be deducted from their allocations for the third and the fourth year, so the fund would be whole at the end of the fourth year.

We have made an additional provision for these States which would not cost the fund anything in permitting to have the first 2 years, if they should need it, and pay it back the third and fourth.

However, an additional amount of money that would be deducted because they have to borrow the money those first 2 years, a small amount truly, that money would not just stay in the fund; that would be available to the Secretary so that he would be able to permit that to go to other States which were not borrowing the money.

What we do not want to happen here is just willy-nilly every single State to take all of the money the first 2 years.

□ 2040

So that amount will be sort of an inducement if they cannot afford—I believe this is an improvement that the States wanted in the bill from what we originally passed.

Ms. OAKAR. Can I assume also that the priority list of projects that was in the report language is the same?

Mr. HOWARD. The same.

Mr. SEIBERLING. Mr. Speaker, will the gentleman yield?

Mr. HOWARD. I yield to the gentleman from Ohio.

Mr. SEIBERLING. I thank the gentleman for yielding.

Would this bill make any changes in the environmental laws like in EPA or other environmental laws?

Mr. HOWARD. As far as I know, there is no dimunition of requirements environmentally in this law. I would have to check on every segment with the gentleman. But certainly we did not go in there talking about any reduction.

Mr. SEIBERLING. There is some provision in here for the Secretary to develop an expediting procedure, a fast track.

Mr. HOWARD. We have had things like that, that do not, as we say, do not jeopardize any environmental considerations, as this committee has not done that in the past, since we established the Council on Environmental Quality, and a lot of other environmental legislation.

Mr. SEIBERLING. One other question. Do I understand there is a domestic content requirement in this bill?

Mr. HOWARD. Yes, there is, which was brought down I believe to 25 percent. I am sure the gentleman from Minnesota (Mr. OBERSTAR), or the gentleman from Ohio (Mr. APPLEGATE) can speak to that. That was one of the final considerations that we did make.

Mr. SEIBERLING. Is someone going to address that, so the House will know what was done?

Mr. HOWARD. We will provide some time for the gentleman from Minnesota or the gentleman from Ohio to do that before we finish.

Mr. SEIBERLING. I thank the gentleman.

Mr. VOLKMER. Mr. Speaker, will the gentleman yield?

Mr. HOWARD. I yield to the gentleman from Missouri.

Mr. VOLKMER. I thank the gentleman for yielding.

On the length and weight provision for uniformity, is it mandated in the bill or do the legislators of the States have to act?

Mr. HOWARD. I believe they have to act. We mandate the act.

Mr. VOLKMER. Or else lose their highway funds.

Mr. HOWARD. A certain percentage. Maybe 10 percent. I think this is going to work out all right. But there is a percentage in there.

Mr. Speaker, I reserve the balance of my time.

Mr. SHUSTER. Mr. Speaker, first I would like to second the accolade presented to our distinguished colleague from California (Mr. CLAUSEN), who has served this Congress and this Nation ably for 20 years, who has made enormous contributions to the present and to the future of the United States of America in the field of not only transportation, but in the field of clean water and economic development.

And I would like secondly to yield 3 minutes to that distinguished gentleman from California (Mr. CLAUSEN).

Mr. CLAUSEN. Mr. Speaker, I do not believe that I will take the 3 minutes.

Mr. Speaker, I rise in support of the conference report on H.R. 6211, one of the most impressive legislative accomplishments of the 97th Congress.

The issues have been controversial, the debate has been long and hard, and prospects for the bill have often seemed in doubt. And Members have devoted an enormous amount of time and effort to bringing this bill to the floor.

Yet enactment of H.R. 6211 will stand as the major improvement in our highway program since the highway trust fund was established in 1956. Thus, its passage will reward our efforts many times over in terms of benefit to the Nation.

The hour is late and the dimensions of this bill are well known to Members. I, therefore, will not impose on the time and patience of my colleagues to recite its provisions.

Instead, I want to emphasize the great compromises that went into this final package, its highway, safety, transit, and revenue provisions. There is a great deal of credit to go around.

My regard and respect for my colleagues on the Public Works Committee need no restatement here. And I want to pay particular tribute to the leadership of the President, his truly great Secretary of Transportation, Drew Lewis, our own chairmen, JIM HOWARD, GLENN ANDERSON, BUD SHUSTER, and our House conferees, and of HOWARD BAKER and TIP O'NEILL.

This is a once-in-a-lifetime opportunity to do what must be done for highways and transit, an opportunity which we simply cannot let pass.

I strongly urge my friends and colleagues to adopt this package and move this critically needed bill on to the Senate and downtown for signature.

With that, Mr. Speaker, I thank my colleagues for the privilege of this kind of service over the years.

Mr. SHUSTER. Mr. Speaker, the gentleman from New Jersey has quite accurately described this bill, so I do not intend to get into that. I simply would make the single point in conclusion that this is a historic act on the part of the Congress. What we are doing here by increasing America's commitment to transportation to the tune of about 50 percent increase on the average over the next 4 years—what we are doing is not only creating jobs, creating better highways and mass transit, but by creating better roads, we are creating safe roads.

A conservative estimate is that we will save 1,000 lives and 100,000 accidents annually as these old antiquated roads are improved.

And so I believe we should note with pride the historic action which this House, I hope, shall take in the next few moments, because what we are doing is not only for present-day America, but it is for our children and for our children's children.

Mr. SNYDER. Mr. Speaker, will the gentleman yield?

Mr. SHUSTER. I yield to the gentleman from Kentucky.

Mr. SNYDER. Mr. Speaker, I rise in support of the conference report.

Mr. Speaker, we bring before you this afternoon a compromise surface transportation authorization. The operative word here is compromise, and a difficult one at that.

The highway funding formulas have been adjusted to address the concerns of the various regions of the country. The authorization levels fall between the House and Senate provisions. An 85-percent minimum allocation of highway funds was adopted. And we extended the temporary waiver of the local match for highway programs for a second fiscal year to give the States needed fiscal relief.

Our agreement provides some $53 billion over the next 4 years to finance an expanded highway program. The interstate rehabilitation and bridge restoration programs are doubled. The interstate construction, primary, and secondary programs are substantially expanded. Also expanded is the interstate discretionary program, targeted to completion of high-cost gaps. Another addition of significance to the Federal-aid highway program are several provisions increasing the flexibility of the States in using Federal highway dollars. This, and the increased funding, should enable the States to get on with the job of rebuilding our highways just as soon as the weather breaks.

With respect to transit, we provide approximately $14 billion over the 4-year authorization. Much of this will be provided through a new, consolidated block grant program designed to reduce the administrative burdens—and planning uncertainties—of grant recipients. Capital assistance, designed to encourage the rehabilitation of deteriorated transit systems while permitting a limited number of cost-effective new starts, is provided through a dedicated transit account of the highway trust fund financed by one cent of the gas tax increase.

Operating assistance is reduced slightly in fiscal year 1984, remaining level thereafter. To help communities adjust to the reduced operating aid, greater flexibility in the use of urban mass transportation administration funds is permitted for 2 years. By this mechanism we hope to encourage the cities to control runaway operating costs without unduly adding to their financial burdens.

As I said, Mr. Speaker, the bill before us is a compromise. We are not happy with each and every one of its provisions. But it addresses the differences between the two bodies in a reasonable manner, and provides a sound and expanded highway, highway safety, and transit program. It will enable us to get on with the massive task of rebuilding our surface transportation network. And, importantly, it will provide some 320,000 jobs in an industry suffering an unemployment rate twice the national average.

For all of these reasons, I urge a yea vote.

Mr. KRAMER. Mr. Speaker, will the gentleman yield?

Mr. SHUSTER. I yield to the gentleman from Colorado.

Mr. KRAMER. Mr. Speaker, I thank the gentleman for yielding.

I appreciate the fine work of the committee and the members, many distinguished members of the committee who labored so hard over the bill. I would like to invite my colleague from Pennsylvania's attention to section 107 of the conference report, if I could, and pose an inquiry.

It is my understanding that under the language of section 107, $257 million has been made available out of the highway trust fund for expenditure at the discretion of the Secretary and for the fiscal years ending in September 1984; September 1985; and September 1986; $700 million, and $725 million have been available for expenditure out of the highway trust fund, and of those 3 years, and for those 3 years, the Secretary has 25-percent funding discretion out of the fund to allocate among those projects that qualify as substitute highway projects as he may see fit.

Is my understanding of the action that has been taken in the conference and as presently contained in the bill correct?

Mr. SHUSTER. The gentleman is absolutely correct.

Mr. KRAMER. I thank the gentleman.

Mr. HOWARD. Mr. Speaker, I yield 5 minutes to the chairman of the Subcommittee on Surface Transportation, the gentleman from California (Mr. ANDERSON).

Mr. ANDERSON. Mr. Speaker, this conference report is the logical conclusion of consultations between House and Senate conferees. There were major differences between the bills which passed the two Chambers, and this report attempts to reconcile those differences. We have, for example, generally split funding for the various highway programs down the middle. An exception is in the important interstate construction, which is maintained at the annual $4 billion level in the House bill.

Because it is so important that we complete the Interstate System, in a prompt manner, a new interstate discretionary program is established, funded at $300 million a year. The Secretary is instructed, in distributing these funds, to place highest priority on those States with high-cost projects.

At the same time, the Interstate 4-R program, for the resurfacing, restoration, rehabilitation, and reconstruction of the interstate, is increased from the present $800 million to $1.95 billion and gradually in the outyears to $3.15 billion.

New logic is instilled in the interstate transfer program as much of the money for both highway and transit projects will now go out on a "fair share" basis. The program's cost-escalator clause is abolished.

The highway beautification program, from our original House bill, which I felt was quite reasonable, is dropped.

Turning to transit, a major feature of this bill is to reduce significantly UMTA funds delivered through the section 3 discretionary program and to increase dramatically those delivered by formula. This represents a major restructuring of existing law under which the ratio of discretionary capital to formula assistance has been approximately 60/40.

Nonetheless, the conferees fixed the discretionary program at a level higher than that recommended by the administration for the explicit purpose of providing for a limited number of cost-effective new starts (including some new starts not currently covered by letters of intent) along with other uses which continue to be eligible under section 3.

It is important to note that the American Public Transit Association estimates a need for $50 billion for transit capital projects over the next decade. Of this amount, more than $20 billion (40 percent) of these needs represents the construction of new systems or extensions to new systems.

The Secretary will certainly need to take into account an area's apportionment under the section 9 formula program when determining the allocation of section 3 funds needed for major capital expansion projects. The conferees do not expect that those new start communities—which have demonstrated their commitment to transit by establishing a source of revenue dedicated to transit—be placed at a disadvantage in seeking capital funds under section 3 on the baseless assumption that their needs for Federal assistance are less by virtue of their having done so.

The Federal match on new starts and all projects funded under section 3 shall be at 75 percent.

Cities will still be able to use their section 9 funds for operating assistance, although the largest among them will face a 20-percent reduction, while medium-sized cities will be capped at a 10-percent reduction in operating assistance and the smallest 5 percent. While I do not personally consider these reductions desirable, I am pleased that we have not had to dig deeper into this important program.

Mr. Speaker, 2 weeks ago when this bill was before the House, I said we had the opportunity to pass historic legislation improving our Nation's transportation infrastructure program. Our bill was passed at the time by a vote of 262 to 143.

I know of no reason why the support for that bill this evening should be any less than at that time. Those supporting our bill 2 weeks ago should support our conference report this evening.

I do know that the need for this legislation remains great.

We have the opportunity to pass legislation this country needs. I urge adoption of this conference report.

OCEAN DISPOSAL OF RADIOACTIVE WASTE MATERIAL

Mr. Speaker, in recent years the Committee on Merchant Marine and Fisheries has conducted hearings on past activities pertaining to the ocean disposal of low-level radioactive waste.

Therefore, we have included provisions in section 424 of this bill to safeguard and provide for more research into the effects of such activities.

The committee is concerned that radioactive waste disposal might occur before the completion of additional research into the possible impacts associated with waste disposal. The uncertainties associated with radioactive waste disposal remain a major concern, and we regard additional research as necessary. Therefore, in the Ocean Dumping Act amendments as passed by the House on September 30 by a unanimous voice vote we included a 2-year moratorium on the issuance of low-level radioactive waste permits.

The act as passed the House also contained a section dealing with the disposal of radioactive materials in the ocean after the 2-year moratorium expires. The provision requires a site specific radioactive material disposal impact assessment to be completed by the applicant and approved by the Administrator. The assessment shall be transmitted to the Committee on Merchant Marine and Fisheries and the Senate Committee on Environment and Public Works. This provision allows for a congressional veto by requiring the Administrator to receive authorization to issue a permit to dump the radioactive materials in the ocean through the passage of a joint resolution by the House and the Senate.

The assessment shall include the following:

First, a listing of all radioactive materials in each container, the number of containers, structural diagrams, the number of curies of radioactive material in each container, and the exposure levels on the interior and exterior of each container;

Second, an analysis of the environmental impact this proposed action would have upon human health and welfare and marine life;

Third, any and all adverse environmental effects at the site which cannot be avoided should the proposal be implemented;

Fourth, an analysis of the resulting environmental and economic conditions if the containers fail to contain the radioactive material when initially deposited at this specific site.

This is intended to be a worst-cast study which would assess the impact should the containers be broken open or corrode;

Fifth, a plan for the removal or containment of the disposed nuclear material if the container leaks or decomposes. In the monitoring plan to be conducted under this section the state of the containers will be examined. If they are leaking or corroding so as to indicate they will not contain the radioactive materials until it becomes harmless then the permit applicant must have a plan for safely removing or reencasing the containers;

Sixth, if the information gathered in this assessment indicates that the proposed action may impact upon a States coastal resources, then a determination must be made by each affected State whether the proposed action is consistent with its federally approved coastal zone management program (16 U.S.C. 1451);

Seventh, an analysis of the economic impact the disposal of the radioactive material may have upon other users of marine resources. This impact may be due to a real threat, as detailed in this assessment, or a perceived threat which may result in lower fish sales or other marine activities in this region;

Eighth, alternatives to disposing of the radioactive material at this ocean site must be detailed;

Ninth, comments and results of consultation with State and local officials and public hearings held in the Coastal States that are nearest to the affected areas;

Tenth, a comprehensive plan for the regular monitoring of the disposal site to determine the full effect of the disposal on the marine environment, living resources, or human health. This includes an examination of the containers to determine whether they will continue to contain the radioactive material until it becomes harmless;

Eleventh, any other information which the Administrator may require in order to determine the full effects of the proposed disposal.

This subsection is not intended to apply to materials containing only background levels of radioactive contamination.

It is not my intention to put in place a permanent ban on the ocean disposal of radioactive waste materials. And I do not believe this proposal to be a permanent moratorium. But through this mechanism we can make certain that what we put into the ocean will not have an adverse impact which we could result for generations to come. I therefore urge my colleagues to include it in this legislation.

CONTRACT AUTHORITY FOR RECREATIONAL BOATING FUND

Mr. Speaker, section 421 of the Senate substitute to H.R. 6122 contains an amendment to the Federal Boat Safety Act. This act allocates funds collected from the current highway tax on gasoline which are paid by recreational boaters. The Secretary of Transportation has determined that approximately 1½ percent of the highway trust fund is contributed by recreational boaters.

This language, inserted by the distinguished Senator from Oregon, Senator PACKWOOD, simply converts the authority of the Secretary to spend this money for recreational boating safety and facilities to contract authority. Such authority is currently used by the Secretary in the administration of the highway trust fund and the airport and airway development trust fund. It is identical to a provision in H.R. 6813, which a majority of my colleagues have already supported.

Mr. Speaker, this provision will help develop recreational boating safety programs. This is becoming increasingly important as more and more of our constituents are taking to the lakes, rivers, and oceans for recreational purposes. Quite simply, Mr. Speaker, this provision will save lives on these waters, and I therefore urge its inclusion in this bill.

SALTONSTALL-KENNEDY ACT AMENDMENT

Mr. Speaker, section 423 of the Senate substitute to H.R. 6122 amends the Saltonstall-Kennedy Act. The funds in this act are derived from taxes on imported fish products into the United States. It is the intent of this act that the funds be used to develop fisheries and fishing technology to aid the ailing U.S. fishing industry.

The distinguished Senator from Oregon, Mr. PACKWOOD, inserted this provision to make sure that the funds collected are used to meet the intent of Congress.

This provision states that no less than 60 percent of the fund shall be used to make direct industry assistance grants and to expand domestic and foreign markets for U.S. fishery products, Mr. Chairman, this means jobs for our fishermen, fish processing industry, and fishing equipment industry.

Currently, too much of this money is being used to buy paperclips and staples for the National Marine Fisheries Service. This provision states that the Secretary may not use more than 40 percent of the funds to finance the operations of the National Marine Fisheries Service.

Mr. Speaker, this provision is vitally important if we are to maintain, and build up a viable U.S. fishing industry, capable of competing with foreign fishing. It is an excellent example of using money collected from a foreign industry impacting upon a domestic industry to aid that U.S. industry—at little or no expense to the Federal Government.

Therefore, Mr. Speaker, I urge its inclusion in this bill.

VESSEL CONSTRUCTION GUARANTEES

Mr. Speaker, section 425 of this act contains a provision inserted by Senator PACKWOOD, and which was included in the House-passed version of this year's maritime authorization, and approved by the conference committee on that legislation.

Unfortunately, it appears the MARAD authorization will be another victim of this lameduck. Therefore, a most important provision relating to title 11 construction loan guarantees has been included in this legislation.

This proposal will prevent a ceiling from being placed on the amount of loans guaranteed—other than a ceiling set in the annual authorization. It also prevents discrimination against a vessel because of its type.

One of the principle reasons for this provision is to promote construction of fishing vessels to help that beleaguered. Traditionally, the fishermen have been faithful in paying back their loans, and their default ration is less than 1 percent. In fact, the Federal Government makes more money than it spends on their guarantees because of the loan guarantee origination fee.

Mr. Speaker, this provision is needed to help rebuild our ailing fishing industry so it can better compete with foreign fishermen. This section means jobs—for the fishermen, the ship construction industry, and the fishing supply industry. I therefore urge its inclusion in this act.

Mr. NOWAK. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON. I yield to the gentleman from New York.

Mr. NOWAK. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I would like to engage the floor manager in a colloquy regarding the section relating to resurfacing standards.

Mr. ANDERSON. This is the provision that requires projects to be constructed in accordance with standards to preserve and extend the service life of highways and enhance highway safety.

Mr. NOWAK. It is recognized that full geometric design standards may not be appropriate in all 3R projects and that applicable standards and procedures for improvement projects should be allowed, provided that highway safety is enhanced.

Mr. ANDERSON. The gentleman from New York is correct.

Mr. NOWAK. Is it the intent of Congress that resurfacing, restoration, and rehabilitation work continue to be carried out without disruption or delay using the standards and procedures now in effect and being utilized by the States, so long as they meet the requirements you just described.

Mr. ANDERSON. Yes, that is correct. Pending completion of the study and submittal and consideration of the recommendations called for under this section, work can continue to be carried out using procedures now in effect, so long as they enhance highway safety and extend the service life of the highway.

Mr. NOWAK. I thank the gentleman very much for this clarification.

Mr. CLAUSEN. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON. I yield to the gentleman from California.

Mr. CLAUSEN. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, the minority concurs in the colloquy and exchange that just took place.

Mr. WYDEN. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON. I yield to the gentleman from Oregon.

Mr. WYDEN. Mr. Speaker, I have taken a great interest in the use of recycled materials in the construction and repair of our roads, and I would like to tell my colleagues that the Senate language now in the conference report improves on what the House enacted earlier on the use of recycled materials.

The recycling language, now in the conference report before us, actually directs the Secretary to establish a procedure for implementing the recycling section within 90 days of this conference report's enactment and in fact authorizes more funds for those States that use recycled materials in their programs than the legislation adopted earlier by the House.

The bill before us now stipulates that by early next year the Secretary of Transportation must have a program in place for accepting applications from States and procedures for authorizing an additional 5-percent Federal assistance to States that utilize recycled materials in their paving program.

I am gratified that the Senate has made it clear both in the report and in a colloquy between Senator RANDOLPH, the author of the Senate provision on recycling, and Senator DECONCINI that rubber recycled from discarded tires is a recycled material under section 147. Moreover, the colloquy makes clear that the recycling of old, used tires should get priority treatment from the Secretary in granting applications because tires pay almost $700 million a year in taxes into the highway trust fund.

Mr. WILLIAMS of Montana. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON. I yield to the gentleman from Montana.

Mr. WILLIAMS of Montana. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I oppose this Christmas toy despite the attractiveness of its wrapping. What a beautiful package, but how disappointed Americans will be when they discover what is contained within.

This is a Christmas toy which is supposed to bring joy to the users of America's highways. Where is the joy in paying $1 more every time drivers fill it up? Where is the joy for drivers in struggling to pass a huge double bottomed truck unit on a dark rainy night. This bill allows mammoth units on America's highway systems.

This Christmas toy will bring no joy to modest income Americans whom, already pinched by this prolonged and cruel recession, are now hit by this regressive gasoline tax which falls far more heavily upon them than upon rich Americans.

Our small truckers cannot afford this Christmas toy. Several years of hard times have many truckers running on the slim margin between profit and loss. This toy will cost some of those business people a tax increase of more than 150 percent within the next several months.

Those Americans looking for jobs will find little joy in this toy. The President, who apparently does not believe in jobs bills, says this is not that kind of effort. He is right. His economists and most economists who have examined the effects of this legislation have concluded that, on the balance, it will cause a net loss of American jobs.

It must be the Christmas spirit that causes support in this House for this legislation. It cannot be because of the merits. This Christmas toy, once the wrapping is off, will not do what is expected.

Do you remember the words to the song about the wonderous toy? "It went zip when it moved, bop when it stopped, and whir when it stood still. I never knew just what it was, and I guess I never will."

After Christmas with the wrapping off, we will be disappointed in this wondrous, expensive toy.

Mr. KAZEN. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON. I yield to the gentleman from Texas.

Mr. KAZEN. I thank the gentleman for yielding.

Mr. Speaker, is the gentleman going to discuss the domestic content provisions in this bill?

Mr. ANDERSON. We have the experts here that will, yes.

Mr. KAZEN. I thank the gentleman.

Mr. HOWARD. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota (Mr. OBERSTAR).

Mr. OBERSTAR. Mr. Speaker, I thank the chairman for yielding. I will be delighted to explain the buy-America provision of the highway bill, for myself and for the gentleman from Ohio (Mr. APPLEGATE), with whom I have worked as cosponsor of this amendment—and may I say that the gentleman has done an outstanding service to the unemployed steelworkers in his district, in helping to construct this amendment, which will help put many of those jobless people back to work, making American steel for the $12 billion worth of American bridges and highways that will be built annually under the provisions of this bill.

Mr. Speaker, the provision dealing with domestic content was arrived at on the basis of the investigation conducted by the International Trade Commission of the Department of Commerce which found eight European steelmakers in violation on a wide range of products, selling those products by an average of 26 percent below the domestic price in this country, subsidizing their steel to the amount of a range from 18 to 40 percent.

The conference agreed on a 25-percent domestic content; that is, on a bid where a European steelmaker would bid a hundred dollars, if the American steelmaker bid $125, the bid would go to American steel. That is on the basis of the amount of the subsidy that the European steelmakers have been giving to their steel, dumping it in this country, based on an 18-month investigation conducted by the Commerce Department and finalized in June of this year.

Mr. KAZEN. Mr. Speaker, will the gentleman yield?

Mr. OBERSTAR. I am happy to yield to the gentleman from Texas.

Mr. KAZEN. Does that pertain only to raw steel being brought into this country or to all products made of steel coming into this country?

Mr. OBERSTAR. To products as specified in the language, such as steel, cement manufactured products, used in such projects, such highway or bridge projects.

GENERAL LEAVE

Mr. HOWARD. Mr. Speaker, I ask unanimous consent that all Members may revise and extend their remarks following the expiration of my time.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

● Mr. BROYHILL. Mr. Speaker, everyone today is talking about jobs. As unemployment climbs, efforts naturally intensify to create jobs, by any means at any cost.

We are asked today to approve the conference report on a bill which is supposed to create jobs. By placing additional excise taxes on motor fuels and other items and greatly increasing the tax burden on heavy duty trucks. Jobs for some 300,000 workers are claimed to be created.

Although I feel this new job figure is inflated, I think it would be wonderful if we could put 300,000 people to work. That still leaves 12 million out of work. To help them, we need to get the business and industrial community back on its feet. As we in Congress debate long and hard on how to create new jobs we are doing nothing to stop the elimination of job opportunities through onerous Government regulation.

The Energy and Commerce Committee, on which I serve, has been grappling for almost 2 years over the Clean Air Act, a classic case in point. The Clean Air Act was originally passed in 1970 to address the serious problem of air quality degradation in this country. The results of our national air quality management effort have been impressive, but at a high cost. Now that the mechanism is in place and our air is getting cleaner and cleaner, it is time to pause and look at which programs need to be continued or even strengthened, and which ones have never worked efficiently, or are no longer necessary. I have tried in these past 2 years to push needed reforms in this act which would encourage the development of new, clean industrial sources and stop the diversion of massive amounts of capital to satisfy nonproductive regulatory requirements.

As the Wall Street Journal pointed out in a December 15, 1982, editorial, the ultimate irony of this call for job creation could come next year when the Federal Government may be forced to throw thousands of people out of work because Congress has refused to address the weaknesses of the Clean Air Act.

As of the last day of this month, all areas of this country are required to be in compliance with Federal Air Quality Standards. Over 600 counties in 49 States will not make it. The law requires EPA to begin imposing Federal sanctions against these areas. Congress in its wisdom is debating various make-work projects and proposals, but refuses to even address the fact that this totally arbitrary deadline, less than 2 weeks away, may result in massive economic disruption in the very areas of this country that are feeling the pains of a recession.

There is much debate over the automatic nature of the clean air sanctions, and the timeframe needed to implement them, but the fact remains that they are the law of the land.

First, after December 31, EPA cannot allow the construction of new stationary sources in any noncomplying area, if the source emits the pollutant for which that area is in noncompliance. Not only does this have the economic effect of stunting industrial growth and destroying job opportunities, it prevents new, clean-burning plants from replacing old, dirty ones.

Second, many facilities are not in compliance with the State-adopted, federally enforcement limits on their emissions. These plants face immediate requirements to cut back emissions, which quite likely will mean production cutbacks resulting in layoffs, and in some cases, plant shutdowns. Again, this would happen because

Congress did not face the urgency of addressing this totally arbitrary deadline.

A third sanction facing many areas of this country is also directly related to the bill we are now considering. Under certain conditions, Federal highway funds must be withheld from areas in violation of the standards for two of the regualted pollutants after December 31. Areas cannot be awarded highway funds if they are in noncompliance for ozone or carbon monoxide are not covered by an adequate State air quality plan, or if the State has not made reasonable efforts to submit such a plan. Only mass transit and safety projects would be exempted.

These State plans were required to demonstrate compliance by the end of this year; if compliance is not attained, then they must be inadequate. Therefore, EPA need only find that reasonable efforts were not made to compile an adequate plan and funds will be cut off. In many cases the effort has been quite poor.

The stark reality is that passage of this bill into law will create over $5 million in additional revenues to improve roads and create jobs, and many of the areas that need these opportunities most may not get them because Congress has ignored the stringent provisons of an outmoded Clean Air Act. I hope that we will wake up soon and see the need to address this issue before further economic disruption results.

CLEAN AIR FARCE

While Congress dithers around trying to create new jobs, it's doing nothing about trying to stop destroying them with onerous regulation. A classic case is the Clean Air Act, which has since 1970 diverted massive amounts of scarce capital into nonproductive scrubbing equipment and the like. The ultimate irony could come next year when the federal government may be forced to throw thousands of people out of work owing to the anti-pollution laws.

As of midnight Dec. 31, the Environmental Protection Agency is required by law to begin the process of imposing sanctions against regions that are not in compliance with federal air quality standards. EPA lists around 600 counties—one-fifth of all the nation's counties and in every state except North Dakota—that are not in compliance with the standard for at least one polutant. The sanctions, which would probably take months to impose, would range from construction bans to plant shutdowns to cutoffs of federal highway funds. While it debates various make-work projects, Congress is not able to deal with proposals to relax these artificial deadlines and thus preserve jobs.

Congress has already debated the legislation for more than 19 months and had to pass a continuing resolution to keep the Clean Air Act from expiring Sept. 31, 1981. Now, with only a few days to go before adjournment and with the economy in a serious recession, it's uncertain whether even an amendment will be passed to extend the Dec. 31 compliance deadline.

The Senate Republican leadership has been reluctant to bring up for a floor vote a bill produced by the Environment and Public Works Committee, chaired by Sen. Robert T. Stafford. That proposal doesn't provide any of the regulatory relief requested by the administration and would make the law more onerous and more difficult to administer.

Moreover, the Stafford proposal would expand the EPA's mandate to control many additional "hazardous air pollutants" without providing enough time for scientific review to determine if these substances really are health risks. For instance, EPA would have only 60 days after enactment of the legislation to pick 20 potentially hazardous pollutants from a list of 40 and then to determine in two years if these are not dangerous; if EPA cannot make a determination in that time, those substances would automatically come under control. Similarly, the Senate proposal undertakes for the first time to deal with "acid rain." A massive 31-state program would be established to control sulfur emissions at the cost of billions of dollars, even though some new scientific evidence casts doubt on the theory that "dying" lakes in the Northeast are caused by emissions from coal-fired plants in the Midwest.

The House, meanwhile, is even in more of a tangle because of a feud between Reps. Henry A. Waxman and Thomas A. Luken which has prevented a bill from even getting out of the environmental subcommittee. Mr. Waxman has proposed revisions similar to Sen. Stafford's. Mr. Luken's proposals are along the lines of President Reagan's 11-point request, which he made last year, calling for less stringent standards and a "more reasoned pace" for compliance and enforcement.

Sen. Stafford, Rep. Waxman and others on Capitol Hill are continuing to look at the 1970 Clean Air Act through 1960s glasses. Their demands for even more stringent controls ignore the substantial improvements in air quality of the last decade. They don't seem to see the sizable investment that has already been made in air-pollution-control equipment and don't recognize the fact that as new plant and equipment come on stream, air quality will continue to benefit. Given their pleas for even tougher standards, you would think that the Clean Air Act was a failure. If Congress were really serious about creating jobs, it ought now to be asking about the costs of trying to extract that last bit of pollution from the air, and whether this economy can afford them. The Clean Air Act is one of many jobless bills created by Congress over the last 15 years. By consuming our scarce economic resources for whatever social purposes, we have lost opportunities to invest in productive, jobs-creating ventures. Removing some of these regulatory obstacles would be the biggest thing Congress could do to create jobs.●

● Mr. PICKLE. Mr. Speaker, H.R. 6211, the Surface Transportation Assistance Act of 1982, contains a provision relating to the time period for payment of the gasoline tax. The Senate added a provision extending the remittance schedule for small business jobbers which was focused on alleviating the extreme cash flow burdens that these small businessmen are encountering. In determining which groups would be eligible for the additional remittance period, the Senate elected to use a volumetric threshold. It was my feeling that a volumetric measure was not appropriate. As a result, I joined with my colleague from Tennessee, Congressman JOHN DUNCAN, in offering in the conference committee what we felt was a better approach.

Our proposal dropped the volumetric approach and replaced it with the definition of independent refiners and the definition of wholesale distributors to determine eligibility. In addition, we expanded the Internal Revenue Code definition of wholesale distributor to include a chain retailer. This proposal was based on the rationale that chain retailers are performing the same marketing functions as jobbers and therefore should be afforded the same relief available under the Senate extension of the remittance schedule.

It was our intent to give relief to these small businesses undergoing a severe cash flow crisis, and in doing so, we clearly intended to expand the code definition of a wholesale distributor to include the chain retailer. Historically, Congress has differentiated between large and small businesses when assessing the impact of a particular legislative provision. This has been true in the case of tax remittance schedules and should be true in the specific case of the gasoline excise tax. Thus, jobbers, chain retailers, and independent refiners—all small businessmen—should be given the relief extended by the Senate provision regarding the gasoline tax remittance schedule. It was my understanding that the conferees on H.R. 6211 agreed and accepted the proposal offered by Congressman DUNCAN and myself.

Mr. Speaker, it is obvious that the intent of Congressman DUNCAN and myself—and I believe the Conference Committee—was not followed when the final language was drafted. We did not know this until the bill was already presented to the House, with no amendments permitted. Therefore, we must seek relief by asking that this technical correction be made. We will immediately ask Treasury for a redefinition which will include chain retailers as wholesale distributors.●

● Ms. FERRARO. Mr. Speaker, since 1969 the Metropolitan Transportation Authority of New York has provided an efficient and effective discount fare program for elderly and handicapped citizens. The authority administers the program by providing eligible passengers with free return-trip coupons.

In 1974, a Federal law was enacted which required transit authorities that receive Federal transit operating assistance to allow handicapped and elderly passengers to pay half-fares. While the net result of the New York and Federal programs is the same, this particular form of the Federal regulation would have lead to severe administrative difficulties for New York's transit system.

Congress recognized these difficulties and has explicitly noted in every annual transportation appropriation measure since 1974 that the city's existing program satisfies the Federal discount fare requirement. Most recently, section 308 of the fiscal year 1983 appropriations legislation, Public Law 97-369, reaffirmed Congress desire that New York City be permitted to continue its current discount fare program without jeopardizing any Federal funding.

The severe time constraints that Congress is now working under to complete the Surface Transportation Assistance Act of 1982 have precluded the inclusion of language similar to section 308 in this act. However, I have been assured by House Public Works and Transportation Chairman James Howard that it is his understanding that nothing in this act contradicts the language in section 308 of Public Law 97-369 and the intent of Congress is that the New York Metropolitan Transportation Authority can continue its existing elderly and handicapped fare program without loss of Federal funds.●

● Ms. OAKAR. Mr. Speaker, I congratulate the conference committee for retaining the priority listing for bridge replacement and rehabilitation projects to be funded by the $200 million set-aside of discretionary funds. The Greater Cleveland area is particulary grateful to the chairman of the Public Works and Transportation Committee, Mr. HOWARD, for reconfirming the priority status of three projects in our area. The three projects have been mentioned in previous legislative history. Their priority status was confirmed by the Public Works and Transportation Subcommittee Chairman, Mr. ANDERSON, on the House floor on December 6, 1982, when this important legislation was discussed. Transportation Secretary Drew Lewis also offered his assurances regarding the priority of the three bridge projects.

The projects are the Brooklyn-Brighton Bridge and the Main Avenue Bridge in Cleveland, as well as the Tinkers Creek Bridge on SR-8 in Ohio. The three projects, whose estimated cost is in excess of $54 million are vitally needed by the Greater Cleveland area. The bridges serve not only the city, but the surrounding suburbs as well. Work on the bridges will also provide much-needed employment in an area that has been particularly hard hit by the recession.

I commend conference committee, chairmen HOWARD and ANDERSON and Secretary Lewis for supporting these three projects and for adding them to the Secretary of Transportation's list of priority projects to be funded by the $200 million descretionary fund. I thank them for their support.

● Mr. LAFALCE. Mr. Speaker, it is never easy for a Member of this body to vote to increase user fees, particularly in the face of a recession. However, I believe that the proposal before us today is necessary to make much needed repairs and improvements in our highway and mass transit systems, while creating construction jobs for thousands of unemployed Americans.

It has been clear for several years that massive amount of money must be spent to revitalize our Nation's infrastructure. Even the relatively new interstate highway system is in need of substantial repairs and rehabilitation; and thousands of bridges throughout the country have so deteriorated as to raise serious questions about their safety. Of the Nation's 524,966 bridges, 40 percent require major repair or replacement, according to the Federal Highway Administration.

The conference report also includes additional funding for urban mass transportation programs. One cent of the new tax, approximately $1.1 billion annually, will be used to establish a new mass transit trust fund. This fund, which will be allocated on a nonformula, discretionary basis, can be used for a limited number of new, cost-effective, mass transit systems. The fund will also be available for major capital projects, the costs of which exceed funds available under the formula block grant program also established by the bill.

Of particular note is the administration's reversal of its position prohibiting mass transit funds for new construction—so called "new starts." When the administration proposed an increase in the gasoline tax, it did so with a prohibition against the use of mass transit funds for new starts. After intense pressure, that policy was changed; the conference report before the House today would allow new revenues raised to be expended on new starts. This is particularly good news for western New Yorkers, for it clears the way for the Niagara Frontier Transportation Authority (NFTA) to submit proposals to UMTA to fund extensions of the Buffalo Light Rail Rapid Transit System—including those to Tonawanda and Amherst.

The conference report also amends the highway trust fund allocation formula to insure that States get a fair return on the money they contribute to the fund.

The new formula block grant program will give the States greater flexibility on the use of funds, since funding would be provided on a year-by-year rather than a project-by-project basis. State and local communities can assess their mass transportation needs and allocate available Federal funds to top priority projects.

But the heart of the issue before us today, Mr. Speaker, is the gasoline tax increase to be paid by the users of America's highways. Tomorrow's headlines will not read "Congress approves new mass transit program." The single issue that will capture the attention of the public is the nickel that will be added to the price of a gallon of gasoline.

The Federal gasoline tax, which is dedicated to the Federal Highway Trust Fund, has not been increased since 1959 when an extra penny was added to raise the tax to 4 cents per gallon. Since 1959, the consumer price index has increased a whopping 237 percent. Had the Federal gasoline tax kept pace with consumer price increases, the American motorists would be paying 13.5 cents per gallon today, enough, perhaps, to have avoided the damage and disrepair that has befallen our transportation system.

An increase in the Federal gasoline tax has been the subject of debate for several years. President Ford proposed an increase of 3 cents per gallon in 1975 to conserve fuel. In 1977, President Carter called for a 5-cent increase to conserve energy and improve our Nation's highways. The conference report, which has the bipartisan backing of the majority and minority leadership in the House, and has been endorsed by the President, will achieve both these ends—conservation and improvements in our Nation's transportation systems—and create 320,000 jobs.

We must be careful not to delude ourselves or the American public into believing that the creation of 320,000 new jobs will make any more than a small dent in our Nation's unemployment problem. Twelve million Americans are "officially" unemployed while millions of others have simply given up all hope of finding employment and are no longer counted among the Nation's jobseekers. Less than 3 percent of those seeking work will be employed as a result of the additional construction activity generated by the $5.5 billion raised annually by the 5-cent-per-gallon increase in the gasoline tax.

As noted in a recent editorial that appeared in the Rochester Times Union, "A gasoline tax is a good way to rebuild aging roads, shore up crumbling bridges, and replace decrepit buses and mass transit. But it is not repeat not, a panacea for unemployment." At best, Mr. Speaker, the gasoline tax is simply necessary. Other mechanisms will have to be found to attack the unemployment problem, and repair and replace aging infrastructure—sewers, ports, libraries, canals, and industrial capacity—not aided by the highway trust fund and the public transportation trust fund.

Mr. Speaker, the legislation before us today grew out of a concern about the Nation's rapidly deteriorating highways and bridges and the highest unemployment since the Great Depression. We cannot stand idly by as our Nation's bridges and roadways crumble and as the ranks of the unemployed continue to reach record levels. The conference report affords us an opportunity to take a much-needed step in the right direction. It will not cure our infrasture problems nor will it cause a significant decline in unemployment. What this bill will do is make our highways safer, repair crumbling bridges, improve urban mass transportation systems, and remove 320,000 Americans from the unemployment rolls. It is a small response to problems that must be the center of our attention in the 98th Congress which convenes in January.

Thank you.●

The SPEAKER. All time has expired.

Without objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER. The question is on the conference report.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. DANNEMEYER. Mr. Speaker, on that I demand the years and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 180, nays 87, answered "present" 1, not voting 165, as follows:

[Roll No. 488]

YEAS—180

| | | |
|---|---|---|
| Alexander | Daub | Hance |
| Anderson | Derrick | Heckler |
| Anthony | Derwinski | Hendon |
| Applegate | Dicks | Hiler |
| Aspin | Dingell | Hollenbeck |
| Atkinson | Dixon | Howard |
| Badham | Donnelly | Hoyer |
| Bailey (MO) | Dorgan | Hutto |
| Bailey (PA) | Dougherty | Jacobs |
| Barnes | Downey | Jeffords |
| Bedell | Dyson | Kastenmeier |
| Beilenson | Eckart | Kennelly |
| Bennett | Edgar | Kildee |
| Bereuter | Erdahl | Kogovsek |
| Bliley | Erlenborn | Kramer |
| Boggs | Evans (IA) | Leach |
| Bonker | Fary | Leland |
| Bowen | Fenwick | Lent |
| Breaux | Findley | Long (MD) |
| Brinkley | Foglietta | Lowery (CA) |
| Brodhead | Foley | Lowry (WA) |
| Brooks | Ford (MI) | Lujan |
| Brown (CA) | Fowler | Madigan |
| Brown (CO) | Frenzel | Markey |
| Carney | Garcia | Marks |
| Clausen | Gejdenson | Matsui |
| Clay | Gephardt | Mavroules |
| Clinger | Gibbons | McCloskey |
| Coats | Gilman | McCollum |
| Coelho | Goodling | McHugh |
| Collins (IL) | Gradison | McKinney |
| Conable | Green | Michel |
| Corcoran | Guarini | Mikulski |
| Coughlin | Gunderson | Mineta |
| Coyne, James | Hagedorn | Mitchell (MD) |
| Coyne, William | Hall (IN) | Moakley |
| Crockett | Hamilton | Molinari |
| D'Amours | Hammerschmidt | Montgomery |
| Murtha | Roukema | Stokes |
| Napier | Rousselot | Stratton |
| Natcher | Roybal | Swift |
| Nowak | Sabo | Tauke |
| O'Brien | Savage | Thomas |
| Oakar | Schneider | Trible |
| Oberstar | Schulze | Udall |
| Obey | Schumer | Vander Jagt |
| Pashayan | Seiberling | Vento |
| Patman | Shannon | Waxman |
| Pease | Sharp | Weber (OH) |
| Pepper | Shaw | Weiss |
| Petri | Shuster | Wilson |
| Pickle | Skeen | Wirth |
| Porter | Skelton | Wolf |
| Rangel | Smith (NE) | Wolpe |
| Ratchford | Smith (NJ) | Wortley |
| Regula | Snyder | Wright |
| Rodino | Solarz | Wylie |
| Roe | St Germain | Yates |
| Roemer | Stanton | Young (MO) |
| Rostenkowski | Staton | Zablocki |

NAYS—87

| | | |
|---|---|---|
| Akaka | Glickman | Reuss |
| Archer | Gonzalez | Rinaldo |
| Ashbrook | Gramm | Ritter |
| AuCoin | Hall, Ralph | Roberts (KS) |
| Bevill | Hansen (ID) | Robinson |
| Bonior | Hefner | Roth |
| Broyhill | Holt | Schroeder |
| Byron | Horton | Sensenbrenner |
| Cheney | Hubbard | Shelby |
| Coleman | Huckaby | Shumway |
| Conyers | Hughes | Smith (AL) |
| Craig | Jones (OK) | Snowe |
| Crane, Philip | Kazen | Solomon |
| Dannemeyer | Kemp | Spence |
| Daschle | Kindness | Stenholm |
| Davis | Lagomarsino | Studds |
| Dellums | Leath | Stump |
| Dornan | Loeffler | Tauzin |
| Duncan | Lundine | Volkmer |
| Edwards (OK) | Lungren | Walker |
| Emerson | Martin (NC) | Wampler |
| Emery | Mazzoli | Weber (MN) |
| English | McCurdy | White |
| Fiedler | McDonald | Whitley |
| Fields | Miller (OH) | Whittaker |
| Florio | Moore | Whitten |
| Fountain | Moorhead | Williams (MT) |
| Gaydos | Neal | Wyden |
| Gingrich | Parris | Young (FL) |

ANSWERED "PRESENT"—1

Myers

NOT VOTING—165

| | | |
|---|---|---|
| Addabbo | Dowdy | Hertel |
| Albosta | Dreier | Hightower |
| Andrews | Dunn | Hillis |
| Annunzio | Dwyer | Holland |
| Bafalis | Dymally | Hopkins |
| Barnard | Early | Hunter |
| Beard | Edwards (AL) | Hyde |
| Benedict | Edwards (CA) | Ireland |
| Bethune | Ertel | Jeffries |
| Biaggi | Evans (DE) | Jenkins |
| Bingham | Evans (GA) | Johnston |
| Blanchard | Evans (IN) | Jones (NC) |
| Boland | Fascell | Jones (TN) |
| Bolling | Fazio | LaFalce |
| Boner | Ferraro | Lantos |
| Bouquard | Fish | Latta |
| Broomfield | Fithian | LeBoutillier |
| Brown (OH) | Flippo | Lee |
| Burgener | Ford (TN) | Lehman |
| Burton, John | Forsythe | Levitas |
| Burton, Phillip | Frank | Lewis |
| Butler | Frost | Livingston |
| Campbell | Fuqua | Long (LA) |
| Carman | Ginn | Lott |
| Chappell | Goldwater | Luken |
| Chappie | Gore | Marlenee |
| Chisholm | Gray | Marriott |
| Collins (TX) | Gregg | Martin (IL) |
| Conte | Grisham | Martin (NY) |
| Courter | Hall (OH) | Martinez |
| Crane, Daniel | Hall, Sam | Mattox |
| Daniel, Dan | Hansen (UT) | McClory |
| Daniel, R. W. | Harkin | McDade |
| de la Garza | Hartnett | McEwen |
| Deckard | Hatcher | McGrath |
| DeNardis | Hawkins | Mica |
| Dickinson | Heftel | Miller (CA) |
| Minish | Pritchard | Smith (IA) |
| Mitchell (NY) | Pursell | Smith (OR) |
| Moffett | Quillen | Smith (PA) |
| Mollohan | Rahall | Stangeland |
| Morrison | Railsback | Stark |
| Mottl | Rhodes | Synar |
| Murphy | Roberts (SD) | Taylor |
| Nelligan | Rogers | Traxler |
| Nelson | Rose | Walgren |
| Nichols | Rosenthal | Washington |
| Ottinger | Rudd | Watkins |
| Oxley | Russo | Weaver |
| Panetta | Santini | Whitehurst |
| Patterson | Sawyer | Williams (OH) |
| Paul | Scheuer | Winn |
| Perkins | Shamansky | Yatron |
| Peyser | Siljander | Young (AK) |
| Price | Simon | Zeferetti |

□ 2100

The Clerk announced the following pairs:

On this vote:

Mr. Rahall for, with Mr. Mottl against.

Mr. Simon for, with Nichols against.

Mr. Gray for, with Mr. Panetta against.

Mr. Fazio for, with Mrs. Bouquard against.

Mr. Conte for, with Mr. Myers against.

Mr. Campbell for, with Mr. Hartnett against.

Mr. PETRI changed his vote from "nay" to "yea."

Mr. MYERS. Mr. Speaker, I have a live pair with the gentleman from Massachusetts (Mr. CONTE). If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair wishes everyone a Merry Christmas.

## CLARIFICATION OF INDIAN TRIBAL GOVERNMENT IN THE CASE OF ALASKA NATIVES

Mr. ROSTENKOWSKI. Mr. Speaker, I send to the desk a concurrent resolution (H. Con. Res. 439) providing for clarification of Indian tribal government in the case of Alaska Natives, and ask for its immediate consideration.

The Clerk read the title of the concurrent resolution.

The SPEAKER pro tempore (Mr. FOLEY). Is there objection to the request of the gentleman from Illinois?

□ 2110

Mr. CONABLE. Mr. Speaker, reserving the right to object, I do so for the purpose of clarification. It is my understanding, and I ask the chairman to confirm this, that the bill passed earlier relating to Indian tribal government had an unnecessarily limited provision in it with respect to native Americans living in Alaska. The pur-

Mr. Speaker, the legislation before us today grew out of a concern about the Nation's rapidly deteriorating highways and bridges and the highest unemployment since the Great Depression. We cannot stand idly by as our Nation's bridges and roadways crumble and as the ranks of the unemployed continue to reach record levels. The conference report afforts us an opportunity to take a much-needed step in the right direction. It will not cure our infrasture problems nor will it cause a significant decline in unemployment. What this bill will do is make our highways safer, repair crumbling bridges, improve urban mass transportation systems, and remove 320,000 Americans from the unemployment rolls. It is a small response to problems that must be the center of our attention in the 98th Congress which convenes in January.

Thank you.●

The SPEAKER. All time has expired.

Without objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER. The question is on the conference report.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. DANNEMEYER. Mr. Speaker, on that I demand the years and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 180, nays 87, answered "present" 1, not voting 165, as follows:

[Roll No. 488]

YEAS—180

| | | |
|---|---|---|
| Alexander | Daub | Hance |
| Anderson | Derrick | Heckler |
| Anthony | Derwinski | Hendon |
| Applegate | Dicks | Hiler |
| Aspin | Dingell | Hollenbeck |
| Atkinson | Dixon | Howard |
| Badham | Donnelly | Hoyer |
| Bailey (MO) | Dorgan | Hutto |
| Bailey (PA) | Dougherty | Jacobs |
| Barnes | Downey | Jeffords |
| Bedell | Dyson | Kastenmeier |
| Beilenson | Eckart | Kennelly |
| Bennett | Edgar | Kildee |
| Bereuter | Erdahl | Kogovsek |
| Bliley | Erlenborn | Kramer |
| Boggs | Evans (IA) | Leach |
| Bonker | Fary | Leland |
| Bowen | Fenwick | Lent |
| Breaux | Findley | Long (MD) |
| Brinkley | Foglietta | Lowery (CA) |
| Brodhead | Foley | Lowry (WA) |
| Brooks | Ford (MI) | Lujan |
| Brown (CA) | Fowler | Madigan |
| Brown (CO) | Frenzel | Markey |
| Carney | Garcia | Marks |
| Clausen | Gejdenson | Matsui |
| Clay | Gephardt | Mavroules |
| Clinger | Gibbons | McCloskey |
| Coats | Gilman | McCollum |
| Coelho | Goodling | McHugh |
| Collins (IL) | Gradison | McKinney |
| Conable | Green | Michel |
| Corcoran | Guarini | Mikulski |
| Coughlin | Gunderson | Mineta |
| Coyne, James | Hagedorn | Mitchell (MD) |
| Coyne, William | Hall (IN) | Moakley |
| Crockett | Hamilton | Molinari |
| D'Amours | Hammerschmidt | Montgomery |
| Murtha | Roukema | Stokes |
| Napier | Rousselot | Stratton |
| Natcher | Roybal | Swift |
| Nowak | Sabo | Tauke |
| O'Brien | Savage | Thomas |
| Oakar | Schneider | Trible |
| Oberstar | Schulze | Udall |
| Obey | Schumer | Vander Jagt |
| Pashayan | Seiberling | Vento |
| Patman | Shannon | Waxman |
| Pease | Sharp | Weber (OH) |
| Pepper | Shaw | Weiss |
| Petri | Shuster | Wilson |
| Pickle | Skeen | Wirth |
| Porter | Skelton | Wolf |
| Rangel | Smith (NE) | Wolpe |
| Ratchford | Smith (NJ) | Wortley |
| Regula | Snyder | Wright |
| Rodino | Solarz | Wylie |
| Roe | St Germain | Yates |
| Roemer | Stanton | Young (MO) |
| Rostenkowski | Staton | Zablocki |

NAYS—87

| | | |
|---|---|---|
| Akaka | Glickman | Reuss |
| Archer | Gonzalez | Rinaldo |
| Ashbrook | Gramm | Ritter |
| AuCoin | Hall, Ralph | Roberts (KS) |
| Bevill | Hansen (ID) | Robinson |
| Bonior | Hefner | Roth |
| Broyhill | Holt | Schroeder |
| Byron | Horton | Sensenbrenner |
| Cheney | Hubbard | Shelby |
| Coleman | Huckaby | Shumway |
| Conyers | Hughes | Smith (AL) |
| Craig | Jones (OK) | Snowe |
| Crane, Philip | Kazen | Solomon |
| Dannemeyer | Kemp | Spence |
| Daschle | Kindness | Stenholm |
| Davis | Lagomarsino | Studds |
| Dellums | Leath | Stump |
| Dornan | Loeffler | Tauzin |
| Duncan | Lundine | Volkmer |
| Edwards (OK) | Lungren | Walker |
| Emerson | Martin (NC) | Wampler |
| Emery | Mazzoli | Weber (MN) |
| English | McCurdy | White |
| Fiedler | McDonald | Whitley |
| Fields | Miller (OH) | Whittaker |
| Florio | Moore | Whitten |
| Fountain | Moorhead | Williams (MT) |
| Gaydos | Neal | Wyden |
| Gingrich | Parris | Young (FL) |

ANSWERED "PRESENT"—1

Myers

NOT VOTING—165

| | | |
|---|---|---|
| Addabbo | Dowdy | Hertel |
| Albosta | Dreier | Hightower |
| Andrews | Dunn | Hillis |
| Annunzio | Dwyer | Holland |
| Bafalis | Dymally | Hopkins |
| Barnard | Early | Hunter |
| Beard | Edwards (AL) | Hyde |
| Benedict | Edwards (CA) | Ireland |
| Bethune | Ertel | Jeffries |
| Biaggi | Evans (DE) | Jenkins |
| Bingham | Evans (GA) | Johnston |
| Blanchard | Evans (IN) | Jones (NC) |
| Boland | Fascell | Jones (TN) |
| Bolling | Fazio | LaFalce |
| Boner | Ferraro | Lantos |
| Bouquard | Fish | Latta |
| Broomfield | Fithian | LeBoutillier |
| Brown (OH) | Flippo | Lee |
| Burgener | Ford (TN) | Lehman |
| Burton, John | Forsythe | Levitas |
| Burton, Phillip | Frank | Lewis |
| Butler | Frost | Livingston |
| Campbell | Fuqua | Long (LA) |
| Carman | Ginn | Lott |
| Chappell | Goldwater | Luken |
| Chappie | Gore | Marlenee |
| Chisholm | Gray | Marriott |
| Collins (TX) | Gregg | Martin (IL) |
| Conte | Grisham | Martin (NY) |
| Courter | Hall (OH) | Martinez |
| Crane, Daniel | Hall, Sam | Mattox |
| Daniel, Dan | Hansen (UT) | McClory |
| Daniel, R. W. | Harkin | McDade |
| de la Garza | Hartnett | McEwen |
| Deckard | Hatcher | McGrath |
| DeNardis | Hawkins | Mica |
| Dickinson | Heftel | Miller (CA) |
| Minish | Pritchard | Smith (IA) |
| Mitchell (NY) | Pursell | Smith (OR) |
| Moffett | Quillen | Smith (PA) |
| Mollohan | Rahall | Stangeland |
| Morrison | Railsback | Stark |
| Mottl | Rhodes | Synar |
| Murphy | Roberts (SD) | Taylor |
| Nelligan | Rogers | Traxler |
| Nelson | Rose | Walgren |
| Nichols | Rosenthal | Washington |
| Ottinger | Rudd | Watkins |
| Oxley | Russo | Weaver |
| Panetta | Santini | Whitehurst |
| Patterson | Sawyer | Williams (OH) |
| Paul | Scheuer | Winn |
| Perkins | Shamansky | Yatron |
| Peyser | Siljander | Young (AK) |
| Price | Simon | Zeferetti |

□ 2100

The Clerk announced the following pairs:

On this vote:

Mr. Rahall for, with Mr. Mottl against.

Mr. Simon for, with Nichols against.

Mr. Gray for, with Mr. Panetta against.

Mr. Fazio for, with Mrs. Bouquard against.

Mr. Conte for, with Mr. Myers against.

Mr. Campbell for, with Mr. Hartnett against.

Mr. PETRI changed his vote from "nay" to "yea."

Mr. MYERS. Mr. Speaker, I have a live pair with the gentleman from Massachusetts (Mr. CONTE). If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair wishes everyone a Merry Christmas.

## CLARIFICATION OF INDIAN TRIBAL GOVERNMENT IN THE CASE OF ALASKA NATIVES

Mr. ROSTENKOWSKI. Mr. Speaker, I send to the desk a concurrent resolution (H. Con. Res. 439) providing for clarification of Indian tribal government in the case of Alaska Natives, and ask for its immediate consideration.

The Clerk read the title of the concurrent resolution.

The SPEAKER pro tempore (Mr. FOLEY). Is there objection to the request of the gentleman from Illinois?

□ 2110

Mr. CONABLE. Mr. Speaker, reserving the right to object, I do so for the purpose of clarification. It is my understanding, and I ask the chairman to confirm this, that the bill passed earlier relating to Indian tribal government had an unnecessarily limited provision in it with respect to native Americans living in Alaska. The pur-

# Memorandum

ACTION | BRIEFING | X INFORMATION

**FOR:** SECRETARY REGAN

**DATE:** DEC 22 1982

**FROM:** J. Gregory Ballentine JGB
Deputy Assistant Secretary (Tax Analysis)

**SUBJECT:** A New Federalism Proposal

It appears that the new Federalism proposal does not involve any increases in taxes, but instead simply transfers some existing revenues to States along with some spending programs. Consequently, the direct implications for tax policy or for the deficit are virtually nil. There are, however, many issues which will make this a very controversial proposal. For example, the proposal involves turning back two cents of the gasoline tax. Having just gone through a bitter Congressional battle over that tax, including the use of the funds from that tax, it would seem unwise to reopen those wounds so rapidly. The same applies to turning back funds from the tobacco tax which was increased in TEFRA.

The program does require that general revenues in addition to revenues from part of the gas tax and the tobacco, alcohol, and telephone taxes be turned back to the States so that the revenues are sufficient to fund the turned back programs. This is probably necessary to make the proposal workable, though it will appear to some to be a form of general revenue sharing. Nonetheless, the tax implications of this are also very slight and there seems to be no clear tax policy grounds to object to this part of the proposal.

| | INITIATOR | REVIEWER | REVIEWER | REVIEWER | REVIEWER | SECRET |
|---|---|---|---|---|---|---|
| CODE AME | XA-Ballentine | | | | | |
| DATE | JGB / | / | / | / | / | / |

(11-81) OBSOLETE OS F 10-01.2 WHICH MAY BE USED UNTIL STOCK IS DEPLETED

U.S. GOVERNMENT PRINTING OFFICE 1982 52

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

ASSISTANT SECRETARY

December 22, 1982

MEMORANDUM TO: Kenneth M. Duberstein
Assistant to the President
for Legislative Affairs

FROM: Lee L. Verstandig Lee
Assistant Secretary
for Governmental Affairs

SUBJECT: Highway User Fee Legislation Information Package

Enclosed are the materials I promised for the President's calls to Senators and a draft letter to the same:

(1) President's letter to the Senators, to be delivered before 10:00 a.m. Thursday;

(2) A three-page backgrounder elaborating on the brief talking points for the President's calls to Senators;

(3) A list of those Senators to be called and their positions on the legislation; and

(4) Federal Highway Administration's funding distribution tables.

Let's stay in touch regarding Howard Greene's whip check of Senators as well as your office and my vote count.

Thanks for your assistance.

cc: David R. Gergen
Assistant to the President, Communications

SPEED LIMIT 55
It's a law we can live with.

DRAFT

After a long and very difficult debate in the Senate, the Surface Transportation Assistance Act Conference Report is now in a very critical situation. The Senate will vote on limiting further debate tomorrow, Thursday, December 23, 1982, and if cloture is invoked, will vote on final adoption of the Conference Report.

The movement of this legislation through the Senate has been difficult and hotly contested. Debate has been lengthy and informative. The contents of the bill have been fully described and the Conference Report is available for all members.

It is now time to move to final action. For these reasons, I strongly support the proposition that further debate should be ended. I strongly encourage all Senators to vote for the Majority Leaders motion to invoke cloture.

If cloture is invoked, I would also encourage all Senators to support the adoption of the Conference Report. The conferees have developed an acceptable compromise between the House and Senate versions and the bill deserves to be enacted. We all know that America faces a problem with its deteriorating roads and bridges. The solution to that problem now before you will work. It is fair to all highway users. Best of all, we can finally begin to move with all deliberate speed to repair and reserve this valuable capital asset of the American people.

SUGGESTED LETTER FROM PRESIDENT REAGAN
TO EACH MEMBER OF THE U. S. SENATE

Dear Senator _______:

Your vote on HR 6211, the Surface Transportation Assistance Act, will be one of the most crucial decisions you make as a member of the U. S. Senate. The need is clear and urgent. Without additional revenues, beyond what the present four cents per gallon tax provides, the further and accelerating deterioriation of our highways, bridges and transit systems will be inevitable. Unless we deal now with the pressing needs for resurfacing and rehabilitation, we will soon face the far higher costs of replacement and reconstruction.

The opportunity is unprecedented. We can begin work on a backlog of highways, bridges and transit capital projects. We can protect the multi-billion dollar investment we already have made in our transportation system, and preserve it for the future. Additionally, the bill will provide jobs for 170,000 Americans in the construction-related industries.

The ~~compromise bill~~ conference report before you today is a sound piece of legislation. It represents many hours of work on the part of members of the House and Senate. It establishes an equitable cost allocation structure which is fair to all users of our highways. Its size and weight features will afford the trucking industry the opportunity to benefit from $5 billion annually in productivity improvements by 1985.

~~Your efforts have produced a bill which will do a tremendous service to our nation~~. This legislation is very important to me and I urge you to ~~[illegible]~~ invoke ~~the Senate majority leadership on the vote for~~ cloture and to vote for the conference report, so that we can begin putting people to work repairing our highways and bridges early in 1983.

Sincerely

then

12/22/82

Talking Points on Highway User Fee Legislation

- I need your support tomorrow morning on cloture vote and approval of the highway user fee legislation conference report.

- There is real need now for rehabilitation of our nation's highway and transit systems.

- This legislation is important to me personally and the nation. I urge you to join in supporting Howard Baker on this vital vote.

o The need is real -- and it is urgent!

-- Completion of the Interstate is overdue.

-- Failure to do the necessary repair and rehabilitation work will mean more costly replacement and reconstruction work later.

-- We can't forget that parts of the Interstate are more than 20 years old. Four thousand miles need immediate resurfacing.

-- Sixty-five percent of the Interstate (26,000 miles) will need major work before 1995.

-- Forty percent of our bridges are more than 40 years old -- many are too narrow and otherwise obsolete.

-- Transit capital needs are estimated at $50 billion over the next 10 years. Without modern transit system, ridership will decline -- adding to the urban highway burden.

o The bill provides for equitable distribution:

1. Among users:

-- Heavy trucks are being asked to pay a fairer share of their highway cost responsibility.

-- The share they are asked to pay will not, however, be excessive. Heavy trucks still will not be charged the full extent of their share of the costs. Presently they pay 56 percent of their share, and under the bill they will pay 69 percent by 1985 and 73 percent by 1989.

-- The higher tax for heavy trucks will be phased-in over a period of time, and will not take effect at all until July 1984.

2. Among the states:

-- This bill will provide that: No state will get back less than 85 percent of the funds it contributes to the Highway Trust Fund.

-- The matching share will be waived for 1983 and states may repay those amounts later.

-- States will get ample funds early in the new year, to begin work on road, bridge and transit projects that have been delayed for lack of money.

-- The less populous states of the West are treated equitably through adoption of one-half percent minimums, and Senator Domenici's formula for distribution.

3. Among consumers:

-- The equitable tax structure relieves the motorist of the burden of the damage heavy trucks do to our highways.

-- It eliminates existing motorist "nuisance" taxes on oil and lubricants.

-- It will permit the more direct shipment of goods, reducing transportation costs.

-- It will improve travel efficiency and productivity, by eliminating traffic bottlenecks in the barrier states and by assuring well-maintained highways.

- o The legislation cannot be delayed:

  - -- There is a growing backlog of projects.

  - -- The user fee has not been increased in 23 years. It buys less at a time when it is also producing less because of increased motor vehicle fuel efficiencies.

  - -- Delay will only defer the inevitable, and at geometrically higher costs later.

- o Your support is essential:

  - -- The Congress has worked long and hard on this issue. Hearings have been held for over a year on the needs and costs.

  - -- The legislation is fair and equitable -- and fills an urgent need.

  - -- I ask you to back Senator Baker in support of this legislative effort.

  - -- This legislation is important to the country and it is important to me personally.

  - -- I urge your vote for the bill, so we can move forward with our highway and transit programs.

- ## -

Call List for the President
on Highway User Fee Legislation

Jim McClure (R-ID) 224-2752 — Leaning Yes

McClure supported the leadership on the cloture votes and on final passage. The Conference Report tax levels on heavy trucks are higher than the Senate bill he supported, but this problem should be balanced by the highway distribution formula which was adopted by the Conference and favors Western states. McClure will influence a lot of Western Senators.

Thad Cochran (R-MS) 224-5054 — Leaning No

Cochran has supported the leadership on the cloture votes. He opposed final passage of the bill. Cochran has concern that Mississippi has a high state gasoline tax. He has been contacted by a number of personal friends concerned about the heavy truck use taxes.

Bill Cohen (R-ME) 224-2523 — Leaning No

Cohen has supported the leadership on the cloture votes. Cohen opposed final passage. He is concerned about independent truckers.

Chuck Grassley (R-IA) 224-3744 — Leaning Yes

Grassley has supported the leadership on the cloture votes. Grassley supported final passage but is under pressure from independent truckers given that the Conference Report tax levels are higher than the Senate bill that he supported.

Bob Kasten (R-WI) 224-5323 — Leaning No

Kasten has supported the leadership on the cloture votes but opposed final passage. Kasten had concerns that Wisconsin pays more into the highway trust fund than it received, but that should have been resolved by guaranteeing an 85% minimum return of each state's contribution to the trust fund.

Mack Mattingly (R-GA) 224-3643 — Opposed

Mattingly has supported the leadership on cloture votes but opposed final passage. He is philosophically opposed to tax increases.

Roger Jepsen (R-IA) 224-3254 — Leaning Yes

Jepsen has supported the leadership on cloture votes and on final passage. Jepsen is under pressure from independent truckers given that the Conference Report tax levels are higher than the Senate bill that he supported.

FY 82

LF01F27A

U. S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

FEDERAL-AID HIGHWAY ACCOUNT - FY 1982
FEDERAL FUNDS DISTRIBUTED BY FORMULA
FY 1983 INTERSTATE AND FY 1982 NON-INTERSTATE

TABLE 1 ✓

| STATE | FY 1983 INTERSTATE (4,040,862,947) | FY 1982 NON-INTERSTATE (4,098,000,000) | TOTAL FEDERAL-AID ACCOUNT (8,138,862,947) | HIGHWAY SAFETY PGMS. SEC. 402 (10,000,000) | TOTAL TRUST FUND (8,148,862,947) |
|---|---|---|---|---|---|
| ALABAMA | 95,294,168 | 61,332,666 | 156,626,834 | 173,376 | 156,800,210 |
| ALASKA | 21,730,508 | 85,859,976 | 107,590,484 | 49,000 | 107,639,484 |
| ARIZONA | 59,835,101 | 45,500,540 | 105,335,641 | 129,923 | 105,465,564 |
| ARKANSAS | 24,479,337 | 51,173,735 | 75,653,072 | 116,685 | 75,769,757 |
| CALIFORNIA | 408,013,803 | 262,822,732 | 670,836,535 | 839,436 | 671,675,971 |
| COLORADO | 67,376,336 | 50,878,074 | 118,254,410 | 133,738 | 118,393,148 |
| CONNECTICUT | 104,446,426 | 32,498,096 | 136,944,522 | 107,980 | 137,052,502 |
| DELAWARE | 19,014,450 | 16,209,709 | 35,224,159 | 49,000 | 35,273,159 |
| FLORIDA | 184,568,264 | 127,133,534 | 311,701,798 | 358,436 | 312,060,234 |
| GEORGIA | 153,604,595 | 97,724,254 | 251,328,850 | 232,655 | 251,561,505 |
| HAWAII | 64,265,916 | 16,891,263 | 81,157,179 | 49,000 | 81,206,179 |
| IDAHO | 22,827,087 | 32,402,767 | 55,229,854 | 70,169 | 55,300,023 |
| ILLINOIS | 70,583,568 | 185,513,940 | 256,097,508 | 434,618 | 256,532,126 |
| INDIANA | 35,581,528 | 73,731,483 | 109,313,011 | 225,622 | 109,538,633 |
| IOWA | 26,400,286 | 68,175,733 | 94,576,019 | 158,427 | 94,734,446 |
| KANSAS | 33,194,695 | 65,406,682 | 98,601,377 | 153,659 | 98,755,036 |
| KENTUCKY | 95,453,666 | 76,287,072 | 171,740,738 | 154,877 | 171,895,615 |
| LOUISIANA | 156,379,508 | 93,101,989 | 249,481,497 | 164,249 | 249,645,746 |
| MAINE | 19,014,450 | 24,149,256 | 43,163,706 | 49,000 | 43,212,706 |
| MARYLAND | 213,745,430 | 54,924,415 | 268,669,345 | 146,315 | 268,816,560 |
| MASSACHUSETTS | 100,883,234 | 69,443,339 | 170,326,573 | 199,125 | 170,524,698 |
| MICHIGAN | 75,225,191 | 113,375,685 | 188,600,376 | 357,936 | 188,958,812 |
| MINNESOTA | 68,449,811 | 90,034,197 | 158,484,008 | 202,124 | 158,686,132 |
| MISSISSIPPI | 25,013,831 | 46,036,180 | 71,050,011 | 120,582 | 71,170,593 |
| MISSOURI | 50,036,751 | 81,438,461 | 131,475,212 | 223,994 | 131,699,206 |
| MONTANA | 27,425,372 | 39,244,645 | 66,670,017 | 68,001 | 66,738,018 |
| NEBRASKA | 22,310,276 | 45,840,034 | 68,150,310 | 104,360 | 68,254,670 |
| NEVADA | 21,663,947 | 25,952,179 | 47,616,126 | 51,151 | 47,667,277 |
| NEW HAMPSHIRE | 19,014,450 | 22,003,810 | 41,018,260 | 49,000 | 41,067,260 |
| W ERSEY | 99,277,849 | 80,580,457 | 179,858,306 | 248,277 | 180,106,583 |
| XICO | 28,478,260 | 34,938,179 | 63,416,439 | 72,877 | 63,489,316 |
| RK | 169,672,629 | 226,262,180 | 395,934,809 | 610,007 | 396,544,816 |
| NORTH CAROLINA | 61,429,864 | 86,823,649 | 148,253,513 | 238,127 | 148,491,640 |
| NORTH DAKOTA | 21,943,269 | 31,054,698 | 52,997,967 | 72,441 | 53,070,408 |
| OHIO | 82,496,551 | 131,627,394 | 214,123,945 | 402,116 | 214,526,061 |
| OKLAHOMA | 37,395,247 | 52,375,915 | 89,771,162 | 160,485 | 89,931,647 |
| OREGON | 45,056,084 | 52,419,309 | 97,475,393 | 154,566 | 97,629,959 |
| PENNSYLVANIA | 174,479,296 | 166,204,167 | 340,683,463 | 433,796 | 341,122,259 |
| RHODE ISLAND | 61,515,159 | 18,602,948 | 80,118,107 | 49,000 | 80,167,107 |
| SOUTH CAROLINA | 57,021,189 | 49,537,195 | 106,558,384 | 134,576 | 106,692,960 |
| SOUTH DAKOTA | 23,090,516 | 29,659,451 | 52,749,967 | 65,889 | 52,815,856 |
| TENNESSEE | 57,042,354 | 83,950,831 | 140,993,185 | 192,900 | 141,186,085 |
| TEXAS | 220,666,785 | 217,416,080 | 438,082,865 | 602,753 | 438,685,618 |
| UTAH | 52,267,512 | 28,802,247 | 81,069,759 | 73,552 | 81,143,311 |
| ERMONT | 19,139,996 | 22,329,471 | 41,469,467 | 49,000 | 41,518,467 |
| IRGINIA | 119,227,946 | 89,295,541 | 208,523,487 | 204,639 | 208,728,126 |
| ASHINGTON | 147,814,700 | 73,221,827 | 221,036,527 | 178,548 | 221,215,075 |
| EST VIRGINIA | 76,099,247 | 37,055,235 | 113,154,482 | 81,760 | 113,236,242 |
| ISCONSIN | 29,446,341 | 80,553,522 | 109,999,863 | 211,315 | 110,211,178 |
| YOMING | 25,760,633 | 26,045,512 | 51,806,145 | 49,000 | 51,855,145 |
| IST. OF COL. | 37,453,591 | 14,485,894 | 51,942,485 | 49,000 | 51,991,485 |
| UERTO RICO | | 29,375,520 | 29,375,520 | 103,770 | 29,479,290 |
| MERICAN SAMOA | | 653,333 | 653,333 | 32,667 | 686,000 |
| UAM | | 653,333 | 653,333 | 32,667 | 686,000 |
| , MARIANA | | 653,333 | 653,333 | 32,667 | 686,000 |
| IRGIN ISLANDS | | 653,333 | 653,333 | 32,667 | 686,000 |
| EC. OF INTER. | | | | 49,000 | 49,000 |
| TOTAL | 3,942,607,004 | 3,710,320,000 | 7,652,927,004 | 9,800,000 | 7,662,727,004 |

OTE: FUNDS APPORTIONED TO AMERICAN SAMOA, GUAM, NORTHERN MARIANA ISLANDS, AND VIRGIN ISLANDS FROM TRUST FUND AUTHORIZATIONS ARE FINANCED FROM APPROPRIATED GENERAL FUNDS PURSUANT TO 23 U.S.C. 401.

FY 83 (Combination of current program and new program)

12/21/82 10:06

HPP-22 DRAFT

TABLE C101-1983 (REV 12/21/82)
ESTIMATED APPORTIONMENTS FOR FY 1983 NON-INTERSTATE AND
FY 1984 INTERSTATE PROGRAMS
(DOLLARS IN THOUSANDS)

| STATE | INTERSTATE CONSTRUCTION | I-4R | PRIMARY | SECONDARY | URBAN | BRIDGE | HAZARD ELIM | RR HWY XINGS | TOTAL APPORT. | PERCENT | 85% FLOOR | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALABAMA | 92,868 | 32,647 | 33,557 | 13,540 | 10,096 | 27,054 | 3,491 | 3,670 | 216,923 | 2.07 | | 216,923 |
| ALASKA | 18,200 | 15,866 | 66,859 | 34,895 | 3,900 | 3,295 | 980 | 2,893 | 146,888 | 1.40 | | 146,888 |
| ARIZONA | 51,231 | 41,330 | 26,890 | 10,024 | 10,076 | 3,295 | 2,641 | 1,786 | 147,273 | 1.41 | | 147,273 |
| ARKANSAS | 18,200 | 21,857 | 25,607 | 11,599 | 4,762 | 26,500 | 2,361 | 2,873 | 113,839 | 1.09 | | 113,839 |
| CALIFORNIA | 382,418 | 182,166 | 123,724 | 24,320 | 98,778 | 33,799 | 16,060 | 11,583 | 873,648 | 8.35 | 24,491 | 898,139 |
| COLORADO | 59,441 | 37,329 | 29,038 | 11,003 | 10,455 | 14,304 | 2,726 | 2,479 | 166,774 | 1.59 | | 166,774 |
| CONNECTICUT | 108,456 | 18,097 | 16,807 | 4,229 | 11,193 | 20,276 | 2,167 | 1,208 | 182,433 | 1.74 | | 182,433 |
| DELAWARE | 18,200 | 9,507 | 9,020 | 3,169 | 3,900 | 3,295 | 980 | 580 | 48,651 | 0.47 | | 48,651 |
| DIST. OF COL. | 26,707 | 9,507 | 9,020 | | 3,900 | 13,513 | 980 | 257 | 63,884 | 0.61 | | 63,884 |
| FLORIDA | 183,300 | 60,246 | 55,797 | 14,019 | 37,213 | 25,764 | 7,244 | 5,729 | 389,392 | 3.72 | 12,360 | 401,752 |
| GEORGIA | 154,353 | 63,947 | 43,870 | 17,018 | 14,842 | 26,868 | 4,675 | 5,149 | 330,722 | 3.16 | | 330,722 |
| HAWAII | 69,001 | 9,507 | 9,020 | 3,169 | 3,900 | 3,295 | 980 | 468 | 99,340 | 0.95 | | 99,340 |
| IDAHO | 18,200 | 18,249 | 16,646 | 7,957 | 3,900 | 4,654 | 1,417 | 1,743 | 72,766 | 0.70 | | 72,766 |
| ILLINOIS | 45,862 | 72,513 | 68,866 | 18,701 | 42,806 | 47,901 | 8,737 | 9,704 | 314,990 | 3.01 | 70,554 | 385,544 |
| INDIANA | 18,200 | 50,154 | 40,513 | 14,969 | 15,503 | 36,987 | 4,536 | 6,412 | 187,274 | 1.79 | 49,155 | 236,429 |
| IOWA | 18,200 | 26,701 | 32,722 | 14,347 | 7,095 | 35,948 | 3,133 | 5,259 | 143,540 | 1.37 | | 143,540 |
| KANSAS | 26,845 | 22,041 | 30,195 | 13,172 | 6,632 | 41,925 | 3,097 | 5,520 | 149,367 | 1.43 | | 149,367 |
| KENTUCKY | 92,314 | 36,514 | 31,451 | 13,327 | 7,933 | 27,212 | 3,115 | 3,046 | 214,912 | 2.06 | | 214,912 |
| LOUISIANA | 164,155 | 32,467 | 30,430 | 10,605 | 12,650 | 32,317 | 3,308 | 3,656 | 289,808 | 2.77 | | 289,808 |
| MAINE | 18,200 | 9,507 | 12,992 | 5,602 | 3,900 | 6,663 | 980 | 1,127 | 58,451 | 0.56 | | 58,451 |
| MARYLAND | 232,776 | 29,218 | 23,301 | 5,935 | 15,347 | 22,760 | 2,949 | 1,797 | 334,103 | 3.20 | | 334,103 |
| MASSACHUSETTS | 103,398 | 24,574 | 20,969 | 6,268 | 21,750 | 23,961 | 1,975 | 2,283 | 215,178 | 2.06 | | 215,178 |
| MICHIGAN | 57,328 | 64,905 | 60,472 | 19,734 | 29,413 | 15,241 | 7,193 | 6,787 | 261,075 | 2.50 | 75,531 | 336,606 |
| MINNESOTA | 64,083 | 34,934 | 40,295 | 16,320 | 11,795 | 23,321 | 4,058 | 5,017 | 199,975 | 1.91 | | 199,975 |
| MISSISSIPPI | 18,200 | 23,918 | 26,225 | 11,795 | 4,974 | 36,736 | 2,432 | 2,725 | 127,005 | 1.21 | | 127,005 |
| MISSOURI | 31,245 | 54,324 | 44,168 | 17,277 | 14,600 | 65,014 | 4,510 | *4,951 | 236,089 | 2.26 | | 236,089 |
| MONTANA | 18,200 | 30,269 | 23,890 | 11,921 | 3,900 | 9,899 | 1,372 | 2,052 | 101,503 | 0.97 | | 101,503 |
| NEBRASKA | 18,200 | 17,293 | 23,251 | 10,506 | 4,294 | 22,700 | 2,106 | 3,403 | 101,758 | 0.97 | | 101,758 |
| NEVADA | 18,200 | 15,945 | 16,631 | 7,502 | 3,900 | 3,295 | 1,012 | 942 | 67,477 | 0.65 | | 67,477 |
| NEW HAMPSHIRE | 18,200 | 9,507 | 9,020 | 3,169 | 3,900 | 7,952 | 980 | 752 | 53,480 | 0.51 | | 53,480 |
| NEW JERSEY | 103,329 | 24,811 | 34,034 | 5,530 | 29,961 | *51,576 | 4,981 | 3,156 | 257,428 | 2.46 | | 257,428 |
| NEW MEXICO | 18,200 | 31,941 | 22,351 | 10,110 | 4,101 | 3,295 | 1,471 | 1,355 | 92,826 | 0.89 | | 92,826 |
| NEW YORK | 172,261 | 69,454 | 90,132 | 19,569 | 67,505 | 131,000 | 12,244 | 7,196 | 570,361 | 5.45 | | 570,361 |
| NORTH CAROLINA | 52,167 | 33,904 | 47,152 | 19,900 | 12,086 | 56,457 | 4,790 | 4,578 | 231,034 | 2.21 | 16,898 | 247,932 |
| NORTH DAKOTA | 18,200 | 16,406 | 16,444 | 8,106 | 3,900 | 6,941 | 1,464 | 3,322 | 74,783 | 0.72 | | 74,783 |
| OHIO | 56,739 | 81,115 | 65,571 | 19,846 | 35,625 | 37,719 | 8,077 | 7,914 | 312,606 | 2.99 | 96,152 | 408,758 |
| OKLAHOMA | 29,443 | 28,838 | 31,054 | 12,807 | 6,680 | 27,460 | 3,241 | 3,937 | 145,452 | 1.39 | 16,943 | 162,395 |
| OREGON | 37,618 | 29,796 | 26,364 | 10,975 | 7,757 | 15,035 | 3,130 | 2,521 | 133,696 | 1.28 | | 133,696 |
| PENNSYLVANIA | 173,404 | 55,663 | 74,324 | 24,065 | 36,606 | 78,313 | 8,804 | 6,851 | 458,030 | 4.38 | | 458,030 |
| RHODE ISLAND | 65,884 | 9,507 | 9,020 | 3,169 | 3,900 | 4,347 | 980 | 527 | 97,334 | 0.93 | | 97,334 |
| SOUTH CAROLINA | 51,474 | 28,874 | 24,686 | 10,070 | 7,165 | 12,256 | 2,710 | 3,086 | 140,321 | 1.34 | | 140,321 |
| SOUTH DAKOTA | 18,200 | 19,751 | 17,604 | 8,779 | 3,900 | 5,273 | 1,329 | 2,258 | 77,094 | 0.74 | | 77,094 |
| TENNESSEE | 40,632 | 50,946 | 37,384 | 14,671 | 12,194 | 47,280 | 3,878 | 3,622 | 210,627 | 2.01 | | 210,627 |
| TEXAS | 130,124 | 148,248 | 114,155 | 39,891 | 50,383 | 58,682 | 12,136 | 12,241 | 615,360 | 5.88 | 135,233 | 750,593 |
| UTAH | 46,798 | 28,345 | 17,026 | 6,720 | 5,484 | 3,295 | 1,446 | 1,419 | 110,533 | 1.06 | | 110,533 |
| VERMONT | 18,200 | 9,723 | 9,020 | 3,169 | 3,900 | 6,220 | 980 | 724 | 51,936 | 0.50 | | 51,936 |
| VIRGINIA | 124,597 | 49,440 | 39,275 | 14,199 | 15,804 | 17,457 | 4,114 | 3,223 | 268,129 | 2.56 | | 268,129 |
| WASHINGTON | 149,919 | 41,006 | 31,199 | 10,873 | 13,511 | 26,515 | 3,591 | 3,483 | 280,099 | 2.68 | | 280,099 |
| WEST VIRGINIA | 80,086 | 14,772 | 18,020 | 8,365 | 3,900 | 29,003 | 1,641 | 1,900 | 157,687 | 1.51 | | 157,687 |
| WISCONSIN | 20,264 | 27,676 | 39,113 | 15,213 | 13,135 | 26,617 | 4,253 | 4,352 | 151,123 | 1.45 | 23,820 | 174,943 |
| WYOMING | 18,200 | 26,092 | 15,389 | 7,608 | 3,900 | 3,275 | 980 | 1,064 | 76,528 | 0.73 | | 76,528 |
| PUERTO RICO | | | 15,441 | 4,267 | 9,366 | 3,295 | 2,001 | 896 | 35,346 | 0.34 | | 35,346 |
| | 3,640,000 | 1,901,446 | 1,803,934 | 633,814 | 780,074 | 1,317,999 | 193,303 | 186,201 | 10,456,851 | 100.00 | 521,137 | 10,977,988 |

12/21/82 15:42

HPP-22 DRAFT

FY 84 Example year ✓

TABLE C102-1984 (REV 12/21/82)
ESTIMATED APPORTIONMENTS FOR FY 1984 NON INTERSTATE AND
FY 1985 INTERSTATE PROGRAMS
(DOLLARS IN THOUSANDS)

| STATE | INTERSTATE CONSTRUCTION | I 4R | PRIMARY | SECONDARY | URBAN | BRIDGE | HAZARD ELIM | RR HWY XINGS | SUB TOTAL | INT HWY TRANSFERS | TOTAL APPORT. | PERCENT | 85% FLOOR | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALABAMA | 92,360 | 40,180 | 30,022 | 13,540 | 10,076 | 29,086 | 3,471 | 3,670 | 231,023 | | 231,023 | 1.95 | | 231,023 |
| ALASKA | 18,200 | 19,528 | 67,000 | 14,075 | 3,900 | 3,543 | 980 | 2,893 | 150,939 | | 150,939 | 1.27 | | 150,939 |
| ARIZONA | 51,231 | 50,060 | 26,746 | 10,024 | 10,076 | 3,543 | 2,641 | 1,786 | 157,115 | 5,800 | 162,915 | 1.37 | | 162,915 |
| ARKANSAS | 18,200 | 26,901 | 25,742 | 11,599 | 4,762 | 28,491 | 2,361 | 2,873 | 120,929 | | 120,929 | 1.02 | 3,619 | 124,548 |
| CALIFORNIA | 302,410 | 224,204 | 150,742 | 24,320 | 98,773 | 36,337 | 16,860 | 11,583 | 945,242 | 9,000 | 954,242 | 8.05 | 63,588 | 1,017,830 |
| COLORADO | 59,441 | 45,943 | 29,099 | 11,003 | 10,455 | 15,379 | 2,726 | 2,479 | 176,525 | 31,600 | 208,125 | 1.76 | | 208,125 |
| CONNECTICUT | 108,456 | 22,273 | 22,770 | 4,229 | 11,193 | 21,800 | 2,167 | 1,208 | 194,096 | 70,300 | 264,396 | 2.23 | | 264,396 |
| DELAWARE | 18,200 | 11,701 | 10,239 | 3,169 | 3,900 | 3,543 | 980 | 580 | 52,312 | | 52,312 | 0.44 | | 52,312 |
| DIST. OF COL. | 26,707 | 11,701 | 10,239 | | 3,900 | 14,528 | 980 | 257 | 68,312 | | 68,312 | 0.58 | | 68,312 |
| FLORIDA | [illegible] | 74,149 | 67,882 | 14,019 | 37,213 | 27,699 | 7,244 | 5,729 | 417,315 | | 417,315 | 3.52 | 37,977 | 455,292 |
| GEORGIA | [illegible] | 73,704 | 49,798 | 17,018 | 14,842 | 28,886 | 4,675 | 5,149 | 353,425 | | 353,425 | 2.98 | | 353,425 |
| HAWAII | 69,001 | 11,701 | 10,239 | 3,169 | 3,900 | 3,543 | 980 | 468 | 103,001 | | 103,001 | 0.87 | | 103,001 |
| IDAHO | 18,200 | 22,460 | 16,682 | 7,957 | 3,900 | 5,004 | 1,417 | 1,743 | 77,363 | | 77,363 | 0.65 | | 77,363 |
| ILLINOIS | 45,642 | 89,246 | 80,964 | 18,601 | 42,806 | 51,499 | 8,737 | 9,704 | 347,419 | 156,700 | 504,119 | 4.25 | | 504,119 |
| INDIANA | 18,200 | 61,728 | 47,394 | 14,969 | 15,503 | 39,765 | 4,536 | 6,412 | 208,507 | 9,700 | 218,207 | 1.84 | 49,730 | 267,937 |
| IOWA | 18,200 | 32,961 | 32,791 | 14,347 | 7,095 | 38,649 | 3,188 | 5,259 | 152,490 | 63,400 | 215,890 | 1.82 | | 215,890 |
| KANSAS | 26,045 | 27,127 | 30,198 | 13,172 | 6,632 | 45,074 | 3,097 | 5,520 | 157,665 | | 157,665 | 1.33 | | 157,665 |
| KENTUCKY | 92,314 | 44,941 | 35,702 | 13,327 | 7,933 | 29,256 | 3,115 | 3,046 | 229,634 | | 229,634 | 1.94 | | 229,634 |
| LOUISIANA | 164,155 | 39,960 | 35,011 | 10,825 | 12,650 | 34,745 | 3,308 | 3,656 | 304,310 | | 304,310 | 2.57 | | 304,310 |
| MAINE | 18,200 | 11,701 | 13,059 | 5,682 | 3,900 | 7,163 | 980 | 1,127 | 61,812 | | 61,812 | 0.52 | | 61,812 |
| MARYLAND | 232,776 | 35,985 | 30,635 | 5,935 | 15,347 | 24,470 | 2,949 | 1,797 | 349,894 | 18,000 | 367,894 | 3.10 | | 367,894 |
| MASSACHUSETTS | 103,398 | 30,245 | 40,217 | 6,268 | 21,750 | 25,760 | 3,975 | 2,283 | 233,896 | 2,600 | 236,496 | 2.00 | | 236,496 |
| MICHIGAN | 57,320 | 79,883 | 74,488 | 19,734 | 29,413 | 16,388 | 7,193 | 6,787 | 291,214 | | 291,214 | 2.46 | 90,250 | 381,464 |
| MINNESOTA | 64,083 | 42,996 | 40,370 | 16,390 | 11,795 | 25,150 | 4,058 | 5,037 | 209,879 | 15,900 | 225,779 | 1.91 | | 225,779 |
| MISSISSIPPI | 18,200 | 29,437 | 28,719 | 11,795 | 4,974 | 39,496 | 2,432 | 2,725 | 137,778 | | 137,778 | 1.16 | | 137,778 |
| MISSOURI | 31,245 | 66,860 | 46,715 | 17,277 | 14,600 | 69,898 | 4,510 | 4,951 | 256,056 | | 256,056 | 2.16 | | 256,056 |
| MONTANA | 18,200 | 37,254 | 23,940 | 11,921 | 3,900 | 10,643 | 1,372 | 2,052 | 109,282 | | 109,282 | 0.92 | | 109,282 |
| NEBRASKA | 18,200 | 21,284 | 23,300 | 10,506 | 4,294 | 24,405 | 2,106 | 3,408 | 107,503 | 6,600 | 114,103 | 0.96 | | 114,103 |
| NEVADA | 18,200 | 19,625 | 16,667 | 7,532 | 3,900 | 3,543 | 1,032 | 942 | 71,441 | | 71,441 | 0.60 | | 71,441 |
| NEW HAMPSHIRE | 18,200 | 11,701 | 10,239 | 3,169 | 3,900 | 8,549 | 980 | 752 | 57,490 | | 57,490 | 0.49 | | 57,490 |
| NEW JERSEY | 103,327 | 30,536 | 48,209 | 5,530 | 29,961 | 55,504 | 4,981 | 3,156 | 281,206 | 8,400 | 289,606 | 2.44 | | 289,606 |
| NEW MEXICO | 18,200 | 39,312 | 22,399 | 10,110 | 4,103 | 3,543 | 1,471 | 1,355 | 100,493 | | 100,493 | 0.85 | | 100,493 |
| NEW YORK | 172,261 | 85,482 | 121,509 | 19,569 | 67,505 | 141,700 | 12,244 | 7,396 | 627,666 | 21,300 | 648,966 | 5.48 | | 648,966 |
| NORTH CAROLINA | 52,167 | 41,728 | 58,358 | 19,900 | 12,086 | 60,698 | 4,790 | 4,578 | 254,305 | | 254,305 | 2.15 | 26,668 | 280,973 |
| NORTH DAKOTA | 18,200 | 20,192 | 16,479 | 8,106 | 3,900 | 7,462 | 1,464 | 3,322 | 79,125 | | 79,125 | 0.67 | | 79,125 |
| OHIO | 56,739 | 99,833 | 84,597 | 19,846 | 35,625 | 40,553 | 8,077 | 7,914 | 353,184 | 28,900 | 382,084 | 3.22 | 81,148 | 463,232 |
| OKLAHOMA | 27,443 | 35,493 | 31,120 | 12,807 | 8,680 | 29,522 | 3,233 | 3,937 | 154,235 | | 154,235 | 1.30 | | 154,235 |
| OREGON | 37,610 | 36,672 | 26,921 | 10,975 | 7,757 | 16,164 | 3,130 | 2,521 | 141,758 | 19,400 | 161,158 | 1.36 | | 161,158 |
| PENNSYLVANIA | 171,404 | 68,503 | 97,205 | 24,065 | 36,606 | 84,195 | 8,804 | 6,851 | 499,638 | 17,200 | 516,838 | 4.36 | | 516,838 |
| RHODE ISLAND | 75,804 | 11,701 | 10,239 | 3,169 | 3,900 | 4,674 | 980 | 527 | 101,074 | 55,000 | 156,074 | 1.32 | | 156,074 |
| SOUTH CAROLINA | 51,474 | 35,537 | 29,716 | 10,070 | 7,165 | 13,176 | 2,710 | 3,086 | 152,934 | | 152,934 | 1.29 | | 152,934 |
| SOUTH DAKOTA | 18,200 | 24,309 | 17,641 | 8,779 | 3,900 | 5,669 | 1,329 | 2,258 | 82,085 | | 82,085 | 0.69 | | 82,085 |
| TENNESSEE | 40,632 | 62,703 | 42,436 | 14,691 | 12,194 | 50,831 | 3,878 | 3,622 | 230,987 | 41,500 | 272,487 | 2.30 | | 272,487 |
| TEXAS | 180,124 | 182,460 | 119,755 | 39,391 | 50,383 | 63,090 | 12,136 | 12,241 | 659,580 | | 659,580 | 5.57 | 191,041 | 850,621 |
| UTAH | 46,793 | 34,886 | 17,062 | 6,720 | 5,484 | 3,543 | 1,446 | 1,419 | 117,358 | | 117,358 | 0.99 | | 117,358 |
| VERMONT | 18,200 | 11,966 | 10,239 | 3,169 | 3,900 | 6,687 | 980 | 724 | 55,865 | | 55,865 | 0.47 | | 55,865 |
| VIRGINIA | 124,527 | 60,849 | 44,971 | 14,199 | 15,804 | 18,768 | 4,114 | 3,223 | 286,525 | | 286,525 | 2.42 | | 286,525 |
| WASHINGTON | 149,919 | 50,469 | 35,416 | 10,873 | 13,513 | 28,507 | 3,591 | 3,483 | 295,771 | | 295,771 | 2.50 | | 295,771 |
| WEST VIRGINIA | 90,036 | 18,130 | 21,377 | 8,365 | 3,900 | 31,181 | 1,641 | 1,900 | 166,630 | | 166,630 | 1.41 | | 166,630 |
| WISCONSIN | 20,274 | 34,063 | 44,398 | 15,213 | 13,135 | 28,616 | 4,253 | 4,852 | 164,794 | | 164,794 | 1.39 | 33,463 | 198,257 |
| WYOMING | 18,200 | 32,111 | 15,422 | 7,608 | 3,900 | 3,543 | 980 | 1,064 | 82,830 | | 82,830 | 0.70 | | 82,830 |
| PUERTO RICO | | | 27,023 | 4,267 | 9,366 | 3,543 | 2,081 | 896 | 47,176 | | 47,176 | 0.40 | | 47,176 |
| | 3,640,000 | 2,340,239 | 2,078,371 | 633,814 | 780,074 | 1,417,004 | 193,383 | 166,201 | 11,269,086 | 581,300 | 11,850,386 | 100.00 | 577,484 | 12,427,870 |

12/21/82 16:08

HPP-22 DRAFT

FY 85

TABLE C103-1985 (REV 12/21/82)
ESTIMATED APPORTIONMENTS FOR FY 1985 NON-INTERSTATE AND
FY 1986 INTERSTATE PROGRAMS
(DOLLARS IN THOUSANDS)

| STATE | INTERSTATE CONSTRUCTION | I-4R | PRIMARY | SECONDARY | URBAN | BRIDGE | HAZARD ELIM | RR HWY XINGS | SUB-TOTAL | INT HWY TRANSFERS | TOTAL APPORT. | PERCENT | 85% FLOOR | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALABAMA | 92.068 | 46.877 | 38.092 | 13.540 | 10.096 | 35.203 | 3.491 | 3.670 | 243.837 | | 243.837 | 2.06 | | 243.837 |
| ALASKA | 18.200 | 22.782 | 67.000 | 34.895 | 3.900 | 4.288 | 980 | 2.893 | 154.938 | | 154.938 | 1.31 | | 154.938 |
| ARIZONA | 51.231 | 59.346 | 26.946 | 10.024 | 10.076 | 4.288 | 2.641 | 1.706 | 166.338 | 5.800 | 172.138 | 1.45 | | 172.138 |
| ARKANSAS | 18.200 | 31.384 | 25.742 | 11.599 | 4.762 | 34.483 | 2.361 | 2.873 | 131.404 | | 131.404 | 1.11 | 375 | 131.779 |
| CALIFORNIA | 382.418 | 261.571 | 150.742 | 24.320 | 98.778 | 43.979 | 16.860 | 11.583 | 990.251 | 9.000 | 999.251 | 8.43 | 77.674 | 1.076.925 |
| COLORADO | 59.441 | 53.600 | 29.099 | 11.003 | 10.455 | 18.613 | 2.726 | 2.479 | 187.416 | 31.600 | 219.016 | 1.85 | | 219.016 |
| CONNECTICUT | 108.456 | 25.985 | 22.770 | 4.229 | 11.193 | 26.384 | 2.167 | 1.208 | 202.392 | 70.300 | 272.692 | 2.30 | | 272.692 |
| DELAWARE | 18.200 | 13.651 | 10.239 | 3.169 | 3.900 | 4.288 | 980 | 580 | 55.007 | | 55.007 | 0.46 | | 55.007 |
| DIST. OF COL. | 26.707 | 13.651 | 10.239 | | 3.900 | 17.583 | 980 | 257 | 73.317 | | 73.317 | 0.62 | | 73.317 |
| FLORIDA | 183.380 | 86.507 | 67.882 | 14.019 | 37.213 | 33.524 | 7.244 | 5.729 | 435.498 | | 435.498 | 3.67 | 46.228 | 481.726 |
| GEORGIA | 154.353 | 91.821 | 49.798 | 17.018 | 14.342 | 34.961 | 4.675 | 5.149 | 372.617 | | 372.617 | 3.14 | | 372.617 |
| HAWAII | 69.001 | 13.651 | 10.239 | 3.169 | 3.900 | 4.288 | 980 | 468 | 105.696 | | 105.696 | 0.89 | | 105.696 |
| IDAHO | 18.200 | 26.203 | 16.632 | 7.957 | 3.900 | 6.056 | 1.417 | 1.743 | 82.158 | | 82.158 | 0.69 | | 82.158 |
| ILLINOIS | 45.862 | 104.121 | 80.964 | 18.601 | 42.806 | 62.329 | 8.737 | 9.704 | 373.124 | 156.700 | 529.824 | 4.47 | | 529.824 |
| INDIANA | 18.200 | 72.015 | 47.394 | 14.969 | 15.503 | 48.128 | 4.536 | 6.412 | 227.157 | 9.700 | 236.857 | 2.00 | 46.637 | 283.494 |
| IOWA | 18.200 | 38.454 | 32.791 | 14.347 | 7.095 | 46.776 | 3.188 | 5.259 | 166.110 | 63.400 | 229.510 | 1.94 | | 229.510 |
| KANSAS | 26.845 | 31.648 | 30.198 | 13.172 | 6.632 | 54.554 | 3.097 | 5.520 | 171.666 | | 171.666 | 1.45 | | 171.666 |
| KENTUCKY | 92.314 | 52.431 | 35.702 | 13.327 | 7.933 | 35.409 | 3.115 | 3.046 | 243.277 | | 243.277 | 2.05 | | 243.277 |
| LOUISIANA | 164.155 | 46.619 | 35.011 | 10.825 | 12.650 | 42.052 | 3.308 | 3.656 | 318.276 | | 318.276 | 2.69 | | 318.276 |
| MAINE | 18.200 | 13.651 | 13.059 | 5.682 | 3.900 | 8.670 | 980 | 1.127 | 65.269 | | 65.269 | 0.55 | | 65.269 |
| MARYLAND | 232.776 | 41.982 | 30.635 | 5.935 | 15.347 | 29.616 | 2.949 | 1.797 | 361.037 | 18.000 | 379.037 | 3.20 | | 379.037 |
| MASSACHUSETTS | 103.398 | 35.286 | 40.217 | 6.268 | 21.750 | 31.178 | 3.975 | 2.283 | 244.355 | 2.600 | 246.955 | 2.08 | | 246.955 |
| MICHIGAN | 57.328 | 93.197 | 74.488 | 19.734 | 29.413 | 19.834 | 7.193 | 6.787 | 307.974 | | 307.974 | 2.60 | 95.638 | 403.612 |
| MINNESOTA | 64.083 | 50.162 | 40.370 | 16.390 | 11.795 | 30.439 | 4.058 | 5.037 | 222.334 | 15.900 | 238.234 | 2.01 | | 238.234 |
| MISSISSIPPI | 18.200 | 34.343 | 28.719 | 11.795 | 4.974 | 47.002 | 2.432 | 2.725 | 150.990 | | 150.990 | 1.27 | | 150.990 |
| MISSOURI | 31.245 | 78.003 | 46.715 | 17.277 | 14.600 | 84.598 | 4.510 | 4.951 | 281.899 | | 281.899 | 2.38 | | 281.899 |
| MONTANA | 18.200 | 43.463 | 23.940 | 11.921 | 3.900 | 12.081 | 1.372 | 2.052 | 117.729 | | 117.729 | 0.99 | | 117.729 |
| NEBRASKA | 18.200 | 24.831 | 23.300 | 10.506 | 4.294 | 29.537 | 2.106 | 3.408 | 116.182 | 6.600 | 122.782 | 1.04 | | 122.782 |
| NEVADA | 18.200 | 22.095 | 16.667 | 7.532 | 3.900 | 4.288 | 1.032 | 942 | 75.456 | | 75.456 | 0.64 | | 75.456 |
| NEW HAMPSHIRE | 18.200 | 13.651 | 10.239 | 3.169 | 3.900 | 10.347 | 980 | 752 | 61.238 | | 61.238 | 0.52 | | 61.238 |
| NEW JERSEY | 103.329 | 35.676 | 48.209 | 5.530 | 29.961 | 67.177 | 4.981 | 3.156 | 297.969 | 8.400 | 306.369 | 2.59 | | 306.369 |
| NEW MEXICO | 18.200 | 45.864 | 22.599 | 10.110 | 4.103 | 4.288 | 1.471 | 1.355 | 107.790 | | 107.790 | 0.91 | | 107.790 |
| NEW YORK | 172.261 | 99.729 | 121.509 | 19.569 | 67.505 | 171.500 | 12.244 | 7.396 | 671.713 | 21.300 | 693.013 | 5.85 | | 693.013 |
| NORTH CAROLINA | 52.167 | 40.683 | 58.358 | 19.900 | 12.086 | 73.463 | 4.790 | 4.578 | 274.025 | | 274.025 | 2.31 | 23.261 | 297.286 |
| NORTH DAKOTA | 18.200 | 21.538 | 16.472 | 8.106 | 3.900 | 9.031 | 1.464 | 3.322 | 84.060 | | 84.060 | 0.71 | | 84.060 |
| OHIO | 56.719 | 116.472 | 84.597 | 19.046 | [illegible] | 47.081 | 8.077 | 7.214 | 378.351 | 28.900 | 407.251 | 3.44 | 82.876 | 490.127 |
| OKLAHOMA | 29.443 | 41.409 | 31.120 | [illegible] | [illegible] | [illegible] | 3.213 | 3.937 | 166.360 | | 166.360 | 1.40 | 28.362 | 194.722 |
| OREGON | 37.618 | 42.704 | 26.921 | 10.975 | 7.797 | 19.563 | 3.130 | 2.521 | 151.269 | 19.400 | 170.669 | 1.44 | | 170.669 |
| PENNSYLVANIA | 173.494 | 79.926 | 97.205 | [illegible] | 36.696 | 191.202 | 8.004 | 6.051 | [illegible] | 17.200 | 545.963 | 4.61 | | 545.963 |
| RHODE ISLAND | 65.104 | 13.651 | 10.239 | 3.169 | 3.900 | 5.656 | 980 | 527 | 104.006 | 55.000 | 159.006 | 1.34 | | 159.006 |
| SOUTH CAROLINA | 51.474 | 41.460 | 29.716 | 10.070 | 7.175 | 15.247 | 2.710 | 3.006 | 161.628 | | 161.628 | 1.36 | | 161.626 |
| SOUTH DAKOTA | 18.200 | 20.361 | 17.641 | 8.779 | 3.900 | 6.662 | 1.329 | 2.250 | 87.330 | | 87.330 | 0.74 | | 87.330 |
| TENNESSEE | 40.632 | 73.153 | 42.406 | 14.791 | 12.124 | 61.521 | 3.078 | 3.622 | 252.127 | 41.500 | 293.627 | 2.48 | | 293.627 |
| TEXAS | 180.124 | 212.070 | 119.755 | 39.371 | 50.303 | 76.158 | 12.136 | 12.241 | 703.258 | | 703.258 | 5.93 | 196.750 | 900.008 |
| UTAH | 46.798 | 40.709 | 17.062 | 6.720 | 5.494 | 4.503 | 1.446 | 1.419 | 123.917 | | 123.917 | 1.05 | | 123.917 |
| VERMONT | 18.200 | 13.961 | 10.239 | 3.169 | 3.900 | 8.093 | 980 | 724 | 59.266 | | 59.266 | 0.50 | | 59.266 |
| VIRGINIA | 124.577 | 70.991 | 44.971 | 14.199 | 15.804 | 22.715 | 4.114 | 3.223 | 300.614 | | 300.614 | 2.54 | | 300.614 |
| WASHINGTON | 149.919 | 50.801 | 55.416 | 10.673 | 13.513 | 34.502 | 3.591 | 3.483 | 310.178 | | 310.178 | 2.62 | | 310.178 |
| WEST VIRGINIA | 39.086 | 21.210 | 21.377 | 8.305 | 3.900 | 37.739 | 1.641 | 1.900 | 176.218 | | 176.218 | 1.49 | | 176.218 |
| WISCONSIN | 20.264 | 39.740 | 44.398 | 15.213 | 13.135 | 34.634 | 4.253 | 4.852 | 176.489 | | 176.489 | 1.49 | 33.279 | 209.768 |
| WYOMING | 18.200 | 37.465 | 15.422 | 7.608 | 3.700 | 4.288 | 980 | 1.064 | 88.927 | | 88.927 | 0.75 | | 88.927 |
| PUERTO RICO | | | 27.023 | 4.267 | 9.366 | 4.288 | 2.081 | 896 | 47.921 | | 47.921 | 0.40 | | 47.921 |
| | 3.640.000 | 2.730.275 | 2.078.371 | 633.814 | 780.074 | 1.715.003 | 193.303 | 186.201 | 11.957.121 | 581.300 | 12.538.421 | 105.81 | 631.080 | 13.169.501 |

TABLE C104-1986 (REV 12/21/82)
ESTIMATED APPORTIONMENTS FOR FY 1986 NON-INTERSTATE AND
FY 1986 INTERSTATE PROGRAMS
(DOLLARS IN THOUSANDS)

FY 87

| STATE | INTERSTATE CONSTRUCTION | I-4R | PRIMARY | SECONDARY | URBAN | BRIDGE | HAZARD ELIM | RR HWY XINGS | SUB-TOTAL | INT HWY TRANSFERS | TOTAL APPORT. | PERCENT | 85% FLOOR | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALABAMA | 92,868 | 52,737 | 43,040 | 13,540 | 10,096 | 37,133 | 3,491 | 3,670 | 256,575 | | 256,575 | 1,94 | | 256,575 |
| ALASKA | 18,200 | 25,630 | 76,767 | 34,895 | 3,900 | 4,523 | 980 | 2,893 | 167,788 | | 167,788 | 1,27 | | 167,788 |
| ARIZONA | 51,231 | 66,764 | 30,038 | 10,024 | 10,076 | 4,523 | 2,641 | 1,786 | 177,083 | 5,800 | 182,883 | 1,38 | | 182,883 |
| ARKANSAS | 18,200 | 35,307 | 28,632 | 11,599 | 4,762 | 36,373 | 2,361 | 2,873 | 140,107 | | 140,107 | 1,06 | | 140,107 |
| CALIFORNIA | 382,418 | 294,268 | 174,466 | 24,320 | 98,778 | 46,390 | 16,060 | 11,583 | 1,049,083 | 9,000 | 1,058,083 | 7,98 | 80,450 | 1,138,533 |
| COLORADO | 59,441 | 60,300 | 32,550 | 11,003 | 10,455 | 19,633 | 2,726 | 2,479 | 198,587 | 31,600 | 230,187 | 1,74 | | 230,187 |
| CONNECTICUT | 108,456 | 29,233 | 25,166 | 4,229 | 11,193 | 27,030 | 2,167 | 1,208 | 209,482 | 70,300 | 279,782 | 2,11 | | 279,782 |
| DELAWARE | 18,200 | 15,358 | 11,945 | 3,169 | 3,900 | 4,523 | 980 | 580 | 58,655 | | 58,655 | 0,44 | | 58,655 |
| DIST. OF COL. | 26,707 | 15,358 | 11,945 | | 3,900 | 18,546 | 980 | 257 | 77,693 | | 77,693 | 0,59 | | 77,693 |
| FLORIDA | 183,380 | 97,321 | 77,796 | 14,019 | 37,213 | 35,362 | 7,244 | 5,729 | 458,064 | | 458,064 | 3,46 | 51,221 | 509,285 |
| GEORGIA | 154,353 | 103,299 | 56,698 | 17,018 | 14,842 | 36,878 | 4,675 | 5,149 | 392,912 | | 392,912 | 2,96 | | 392,912 |
| HAWAII | 69,001 | 15,358 | 11,945 | 3,169 | 3,900 | 4,523 | 980 | 468 | 109,344 | | 109,344 | 0,82 | | 109,344 |
| IDAHO | 18,200 | 29,479 | 18,062 | 7,957 | 3,900 | 6,388 | 1,417 | 1,743 | 87,146 | | 87,146 | 0,66 | | 87,146 |
| ILLINOIS | 45,862 | 117,136 | 93,058 | 18,601 | 42,806 | 65,745 | 8,737 | 9,704 | 401,649 | 156,700 | 558,349 | 4,21 | | 558,349 |
| INDIANA | 18,200 | 81,017 | 53,893 | 14,969 | 15,503 | 50,766 | 4,536 | 6,412 | 245,296 | 9,700 | 254,996 | 1,92 | 44,716 | 299,712 |
| IOWA | 18,200 | 43,261 | 36,857 | 14,347 | 7,095 | 49,340 | 3,188 | 5,259 | 177,547 | 63,400 | 240,947 | 1,82 | | 240,947 |
| KANSAS | 26,045 | 35,604 | 33,831 | 13,172 | 6,632 | 57,544 | 3,097 | 5,520 | 182,245 | | 182,245 | 1,37 | | 182,245 |
| KENTUCKY | 92,314 | 58,985 | 40,252 | 13,327 | 7,933 | 37,349 | 3,115 | 3,046 | 256,321 | | 256,321 | 1,93 | | 256,321 |
| LOUISIANA | 164,155 | 52,447 | 39,445 | 10,825 | 12,650 | 44,356 | 3,308 | 3,656 | 330,842 | | 330,842 | 2,50 | | 330,842 |
| MAINE | 18,200 | 15,358 | 13,835 | 5,682 | 3,900 | 9,145 | 980 | 1,127 | 68,227 | | 68,227 | 0,51 | | 68,227 |
| MARYLAND | 232,776 | 47,230 | 34,342 | 5,935 | 15,347 | 31,239 | 2,949 | 1,797 | 371,615 | 18,000 | 389,615 | 2,94 | | 389,615 |
| MASSACHUSETTS | 103,398 | 39,697 | 45,520 | 6,268 | 21,750 | 32,887 | 3,975 | 2,283 | 255,778 | 2,600 | 258,378 | 1,95 | | 258,378 |
| MICHIGAN | 57,328 | 104,847 | 85,504 | 19,734 | 29,413 | 20,922 | 7,193 | 6,787 | 331,728 | | 331,728 | 2,50 | 94,973 | 426,701 |
| MINNESOTA | 64,083 | 56,432 | 45,698 | 16,390 | 11,795 | 32,108 | 4,058 | 5,037 | 235,601 | 15,900 | 251,501 | 1,90 | | 251,501 |
| MISSISSIPPI | 18,200 | 38,636 | 32,106 | 11,795 | 4,974 | 50,422 | 2,432 | 2,725 | 161,290 | | 161,290 | 1,22 | | 161,290 |
| MISSOURI | 31,245 | 87,754 | 53,101 | 17,277 | 14,600 | 89,235 | 4,510 | 4,951 | 302,673 | | 302,673 | 2,28 | | 302,673 |
| MONTANA | 18,200 | 48,896 | 26,531 | 11,921 | 3,900 | 13,587 | 1,372 | 2,052 | 126,459 | | 126,459 | 0,95 | | 126,459 |
| NEBRASKA | 18,200 | 27,935 | 25,784 | 10,506 | 4,294 | 31,156 | 2,106 | 3,408 | 123,389 | 6,600 | 129,989 | 0,98 | | 129,989 |
| NEVADA | 18,200 | 25,757 | 18,044 | 7,532 | 3,900 | 4,523 | 1,032 | 942 | 79,930 | | 79,930 | 0,60 | | 79,930 |
| NEW HAMPSHIRE | 18,200 | 15,358 | 11,945 | 3,169 | 3,900 | 10,914 | 980 | 752 | 65,218 | | 65,218 | 0,49 | | 65,218 |
| NEW JERSEY | 103,329 | 40,079 | 54,843 | 5,530 | 29,961 | 70,859 | 4,981 | 3,156 | 312,738 | 8,400 | 321,138 | 2,42 | | 321,138 |
| NEW MEXICO | 18,200 | 51,597 | 24,791 | 10,110 | 4,103 | 4,523 | 1,471 | 1,355 | 116,090 | | 116,090 | 0,88 | | 116,090 |
| NEW YORK | 172,261 | 112,195 | 140,361 | 19,569 | 67,505 | 130,900 | 12,244 | 7,376 | 712,431 | 21,300 | 733,731 | 5,54 | | 733,731 |
| NORTH CAROLINA | 52,167 | 54,769 | 66,604 | 19,900 | 12,086 | 77,470 | 4,790 | 4,578 | 292,464 | | 292,464 | 2,21 | 21,829 | 314,293 |
| NORTH DAKOTA | 18,200 | 26,502 | 17,025 | 10,106 | 3,900 | 9,526 | 1,464 | 3,322 | 88,845 | | 88,845 | 0,67 | | 88,845 |
| OHIO | 56,739 | 101,041 | 97,298 | 17,644 | [illegible] | 51,771 | 6,077 | 7,914 | 408,301 | 28,900 | 437,201 | 3,30 | 80,965 | 518,166 |
| OKLAHOMA | 22,443 | 46,385 | 34,907 | 12,307 | 8,730 | 37,609 | 3,233 | 3,937 | 177,281 | | 177,281 | 1,34 | 28,580 | 205,861 |
| OREGON | 37,618 | 40,172 | 30,000 | 10,975 | 7,757 | 20,636 | [illegible] | 2,521 | 160,777 | 19,400 | 180,177 | 1,36 | | 180,177 |
| PENNSYLVANIA | 173,404 | 89,916 | 112,007 | 24,065 | [illegible] | 187,407 | 8,304 | 6,[illegible] | 559,140 | 17,200 | 576,340 | 4,35 | | 576,340 |
| RHODE ISLAND | [illegible] | 15,358 | 11,945 | 3,169 | 3,900 | 5,967 | 980 | 527 | 107,730 | 55,000 | 162,730 | 1,23 | | 162,730 |
| SOUTH CAROLINA | 51,474 | 46,642 | [illegible] | 10,070 | 7,165 | 16,071 | 2,710 | 3,086 | 171,236 | | 171,236 | 1,29 | | 171,236 |
| SOUTH DAKOTA | 18,200 | [illegible] | 17,101 | 8,779 | 3,900 | 7,240 | 1,129 | 2,250 | 92,791 | | 92,791 | 0,70 | | 92,791 |
| TENNESSEE | [illegible] | 62,297 | 40,100 | 14,621 | 17,174 | 64,893 | 3,073 | 3,622 | 270,315 | 41,500 | 311,815 | 2,35 | | 311,815 |
| TEXAS | 180,124 | 232,470 | 130,314 | 37,391 | 50,303 | 80,543 | 12,136 | 12,241 | 752,610 | | 752,610 | 5,68 | 198,885 | 951,495 |
| UTAH | 46,723 | 45,700 | 13,906 | 6,720 | 5,404 | 4,523 | 1,446 | 1,419 | 130,684 | | 130,684 | 0,99 | | 130,684 |
| VERMONT | 18,200 | 15,702 | 11,945 | 3,169 | 3,900 | 8,537 | 980 | 724 | 63,161 | | 63,161 | 0,48 | | 63,161 |
| VIRGINIA | 124,997 | 79,365 | 51,067 | 14,199 | 15,804 | 23,961 | 4,114 | 3,223 | 316,830 | | 316,830 | 2,39 | | 316,830 |
| WASHINGTON | 149,919 | 66,241 | 39,918 | 10,873 | 13,513 | 36,393 | 3,591 | 3,403 | 323,931 | | 323,931 | 2,44 | | 323,931 |
| WEST VIRGINIA | 80,086 | 23,862 | 23,540 | 8,365 | 3,900 | 39,007 | 1,641 | 1,900 | 183,101 | | 183,101 | 1,38 | | 183,101 |
| WISCONSIN | 20,264 | 44,707 | 50,396 | 15,213 | 13,135 | 36,533 | 4,253 | 4,852 | 189,355 | | 189,355 | 1,43 | 32,413 | 221,768 |
| WYOMING | 18,200 | 42,143 | 16,393 | 7,608 | 3,900 | 4,523 | 980 | 1,064 | 95,016 | | 95,016 | 0,72 | | 95,016 |
| PUERTO RICO | | | 30,127 | 4,267 | 9,366 | 4,523 | 2,081 | 896 | 51,260 | | 51,260 | 0,39 | | 51,260 |
| | 3,640,000 | 3,071,566 | 2,360,370 | 633,814 | 780,074 | 1,809,006 | 193,383 | 186,201 | 12,674,414 | 581,300 | 13,255,714 | 100,00 | 634,032 | 13,889,746 |

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: Senator Strom Thurmond (R-South Carolina)
Senator John Tower (R-Texas

DATE: December 22, 1982

RECOMMENDED BY: Kenneth M. Duberstein for D.

PURPOSE: To ask for their support in ending the filibuster and passing the Gas Tax-Highway Bill.

BACKGROUND: The Senate is locked up in a filibuster over the Gas Tax-Highway Bill. They will vote to invoke cloture at 9:30 a.m. Thursday, December 23, 1982, and to adopt the Conference Report on the bill, if cloture is invoked, at 11:30 a.m. the same day.

A number of Senators are concerned about the Truck Tax portion of the bill. The truckers are working hard to defeat the bill. The compromise in the Conference Report is a fair compromise between the House, Senate and Administration. The cumulative 5 year tax is only 40% of what you recommended and truckers are exempt from all taxes on truck parts, lubricating oil, inner tubes and tread rubber.

TOPICS OF DISCUSSION: See Attached Talking Points

DATE OF SUBMISSION: December 22, 1982

ACTION: Will vote FOR cloture, [illegible] bill we'll have it.

TALKING POINTS

--- The Senate is facing a fundamental challenge from a dedicated pair of Senators.

--- I am asking you as a member of the Senate leadership for your support. Howard Baker needs it, and I need it.

--- Because the bill is so intertwined politically with the filibuster, I am asking you to vote to invoke cloture and to adopt the Conference Report.

--- I am sure you would agree that we have no alternative but to take a victory home for Christmas. And we can't do it without you.

--- Merry Christmas.

THE WHITE HOUSE

WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: Senator Thad Cochran R-Mississippi

DATE: December 22, 1982

RECOMMENDED BY: Kenneth M. Duberstein

PURPOSE: To ask support in ending the filibuster and passing the Gas Tax-Highway Bill.

BACKGROUND: The Senate is locked up in a filibuster over the Gas Tax-Highway Bill. They will vote to invoke cloture at 9:30 a.m. Thursday, December 23, 1982, and to adopt the Conference Report on the bill, if cloture is invoked, at 11:00 a.m. the same day.

A number of Senators are concerned about the Truck Tax portion of the bill. The truckers are working hard to defeat the bill. The compromise in the Conference Report is a fair compromise between the House, Senate and Administration. The cumulative 5-year tax is only 40% of what you recommended and truckers are exempt from all taxes on truck parts, lubricating oil, inner tubes and tread rubber.

TOPICS OF DISCUSSION: See attached Talking Points

DATE OF SUBMISSION: December 22, 1982

ACTION Will vote on cloture — [illegible] hear the change on truck taxes. If his vote is needed we have it.

TALKING POINTS

-- The Senate is facing a fundamental challenge from a dedicated pair of Senators to thwart the Republican Leadership.

-- It is critical that we all, and that includes me, give our total and unequivocable support to the conference report on the highway program/gas tax.

-- I am asking for your support. Howard Baker needs it, and I need it.

-- Because the bill is so intertwined politically with the filibuster, I am asking you to vote to invoke cloture and to adopt the conference report.

-- I am sure you would agree that we have no alternative but to take a victory home for Christmas. And we can't do it without you.

-- I know you have concerns about the Truck Tax portions of the bill. I would only point out that:

  --For the 5-year period starting in July 1984, the cumulative tax is only 40% of what I recommended and nearly 25% below the House level.

  --The bill eliminates all federal taxes on truck parts, lubicrating oil, inner tubes and tread rubber. The Senate bill had retained those taxes.

-- This is a fair and defensible compromise that all truckers are given plenty of time to adjust to. I hope you can support it.

-- Merry Christmas!

THE WHITE HOUSE
WASHINGTON

RR phone calls:

Mc Clure -- stress leadership

Simpson -- anti-Jesse

Wallop -- do for H. Baker and [illegible]

Jim - will vote cloture - [illegible] against voting for the bill however. Has 2 other [illegible] I promised I'd look into. One - Osceola Fla. wilderness - he says I'll be urged to veto & [illegible] Second is K. Davis at Energy. He's not lobbying for him but says W.H. is trying to put in one [illegible] person there who won't [illegible] [illegible] powers. I want to discuss these 2.

Malcolm W. - Vote against cloture against the bill but will [illegible] [illegible]

Simpson - Will Vote against cloture again. Will stand by & if his vote is needed [illegible] we'll have it.

THE WHITE HOUSE

WASHINGTON

December 22, 1982

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 1983 Federalism Initiative

The Cabinet Council on Management and Administration has been presented with the attached recommendation from Rich Williamson concerning a 1983 Federalism Initiative. This will be the subject of discussion at the meeting of the Cabinet Council on Management and Administration on Thursday, December 23, 1982.

Outlined below are the elements of the proposal that require approval:

1. Income Maintenance: It is recommended that the administration not include a restructuring of responsibilities in the income maintenance area.

   RR approve ____ disapprove

2. Transportation Block Grant: The grant would be funded by 2 cents of the federal gas tax, allocated based on historical formulas, and would be spent on urban, secondary, non-primary bridges, Appalachia, Highway Safety, and Safety Construction transportation projects.

   RR approve ____ disapprove

3. Block Grants to the States: Most of the programs originally proposed for turnback to the states are included in this element. The programs are listed in the attached paper.

   RR approve ____ disapprove

4. Federal-Local Block Grant: This package would include a block grant to local governments for General Revenue Sharing, Community Development Block Grants, Transportation Programs which are direct federal-local in nature.

RR approve ____ disapprove

5. Rural Housing Block Grant: A rural housing block grant is also recommended as part of the package.

RR approve ____ disapprove

Edwin Meese III

Edwin Meese III
Counsellor to the President

THE WHITE HOUSE

WASHINGTON

January 6, 1983

MR. PRESIDENT

Attached is the "Surface Transportation Assistance Act of 1982" for your signature at today's signing ceremony.

Dick

Richard G. Darman

Ceremony + Remarks
State Dining Room
9:45 A.M.

APPROVED
JAN - 6 1983

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

JAN 5 1983

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6211 - Surface Transportation Assistance Act of 1982
Sponsors - Rep. Anderson (D) California and 3 others

Last Day for Action

January 14, 1983 - Friday

Purpose

Authorizes appropriations totalling $57.3 billion for highways and highway safety and $14.9 billion for mass transit for fiscal years 1983-1986; increases the size and weight of trucks permitted on the Interstate highway system; increases the Federal gasoline tax by 5 cents per gallon, effective April 1, 1983; increases user fees on heavy trucks; strengthens "Buy America" provisions; and includes a number of non-germane amendments, including extended unemployment benefits.

Agency Recommendations

| | |
|---|---|
| Office of Management and Budget | Approval |
| Department of Transportation | Approval |
| Department of the Interior | Approval(Informally) |
| Council on Environmental Quality | Approval(Informally) |
| Department of the Treasury | Approval |
| Department of Commerce | Approval(Informally) |
| Environmental Protection Agency | No objection(Informally) |
| Department of Energy | No objection(Informally) |
| Department of Agriculture | No objection(Informally) |
| Small Business Administration | No objection(Informally) |
| United States Trade Representative | No objection(Informally) |
| Department of State | No objection(Informally) |
| Department of Defense | Defers(Informally) |
| Department of Justice | Defers(Informally) |
| Nuclear Regulatory Commission | No comment(Informally) |
| Department of Housing and Urban Development | No comment(Informally) |
| Department of Labor | Does not oppose approval |

Discussion

H.R. 6211 passed the House by a vote of 180-87 and the Senate by a vote of 54-33. The bill provides for an increase in the Federal gasoline tax from 4 cents to 9 cents per gallon, as requested by the Administration. It revises several other taxes applicable to motor vehicles to increase the fees paid by heavy trucks, consistent with the costs they impose on the Nation's highway system. In return, the bill increases the maximum size and weight limits on trucks using the Interstate highway system. Appropriations are authorized for fiscal years 1983-1986 for highway, transit, and highway safety programs, but the authorizations exceed those requested by the Administration by approximately $7.0 billion over the four-year period. If fully funded, the combination of lower taxes than the Administration requested and higher outlays would increase the deficit $6.0 billion over the Administration's proposal for 1983-1986.

The bill also includes a number of non-germane amendments, including an extension of unemployment benefits under certain circumstances. In total, these amendments will add approximately $1.5 billion to Federal funding requirements over the next four years. The major provisions of the enrolled bill are discussed below.

Highways and Highway Safety: H.R. 6211 provides a total of $57.3 billion for fiscal years 1983-1986 for highway construction and safety programs, $5.0 billion more than the Administration had requested for these years. The increase is almost entirely "contract authority", meaning that the funds are available for obligation prior to appropriations action. The bill reduces the Admnistration's requested funding for the highest Federal interest highway programs -- Interstates and primary -- by about $.5 billion and increases funding for lower priority State interest programs by $5.5 billion. Table A shows a comparison of the annual authorizations for the programs.

As requested by the Administration, the bill provides major increases in authorizations for Interstate highway construction and rehabilitation/repair. The increased authorizations will allow "final" completion of the Interstate system by the early 1990's, while ensuring that the existing Interstate highways are properly maintained. The bill also contains increases for the primary highway system and the bridge program, which will enable the Federal Government and the States to halt deterioration of the Nation's primary roads and bridges. Additional authorizations -- approximately $600 million per year -- are provided to ensure that every State will receive back at least 85% of the taxes it pays into the Highway Trust Fund. Finally, the bill eliminates a number of existing narrow categorical highway programs, rescinds unappropriated authorizations, and contains several provisions that will allow the program to be more effectively and efficiently managed. On the other hand, the bill authorizes funds for ten new place-specific highway and bridge projects, contrary to the Administration's requests.

Congress responded to the concerns of some States regarding their ability to provide the matching funds necessary to qualify for the Federal highway grants (5%-25% State matching requirement, depending on the program involved). The bill allows a temporary waiver by allowing States to obtain the Federal funds without providing the State matching share through September 30, 1984, thus essentially providing for a temporary interest-free 100% Federal grant. The State matching funds must be repaid to the Federal Government. If the funds are not repaid, future State apportionments of Federal funds are reduced to offset the amount owed.

The bill provides for uniform truck size and weight limits on the Interstate highways and uniform length limits on certain federally-funded primary highways, thereby overriding more restrictive State limits. Trucks with single trailers as long as 48 feet and double-trailer rigs of 28 feet each would be allowed on the Interstate system, as would trucks weighing up to 80,000 pounds. Currently, three "barrier" States with lower weight limits -- Arkansas, Missouri, and Iowa -- deter direct coast to coast transit of heavier trucks. The Administration had proposed these uniform size and weight limits on Interstate highways (but not on primary highways) to offset the financial effects on large and heavy trucks of increased user taxes, as discussed below.

The bill includes several provisions to which the Administration strongly objected. One of the most important deals with "Buy America" policies. It requires that all highway and transit projects built with Federal funds must be made with U.S.-made steel, cement, and manufactured products unless the prices for these materials are more than 25% higher than foreign-made goods. Current law requires a price differential of only 10% and applies to fewer products.

H.R. 6211 also broadens the Davis-Bacon Act to require that contractors doing repair work on federally-funded projects pay the prevailing union wage in their area. Currently, only new construction projects are subject to this requirement. The Labor Department does not favor this expansion of Davis-Bacon Act coverage.

The bill also requires that not less than 10% of the amounts authorized under the bill be set aside for contracts with socially or economically disadvantaged businesses. There are probably not currently enough businesses in this category to handle this amount of work (10% of approximately $12 billion yearly). This provision thus could result in the firms that qualify charging higher prices than they would otherwise get, making this a costly special provision. There is some discretion, however, for the Secretary of Transportation to waive the 10% requirement.

As requested by the Administration, the bill establishes a new grant program to encourage States to increase their enforcement of trucking safety standards. Authorizations are set at $10 million in 1984, increasing incrementally to $50 million in 1988. The provision draws on recent successful State efforts to reduce highway accidents and fatalities through increased enforcement activity. The provision also addresses concerns that the implementation of existing trucking deregulation legislation will reduce attention paid to safety as firms confront a more competitive market.

Mass Transit Programs: H.R. 6211 authorizes appropriations totalling $14.9 billion for fiscal years 1983-1986 for mass transit programs, $2.0 billion more than the Administration proposed for these years. Table B shows a comparison of the annual authorizations for transit.

As requested by the Administration, one cent of the proposed gas tax increase, amounting to approximately $1.1 billion annually by 1984, will be available for transit projects involving the rehabilitation, replacement, or construction of transit facilities and equipment. Unlike the Administration's request, this program consists of contract authority and permits dedication of future revenues to support current program levels. In addition, these funds may not be used for highway projects, as proposed by the Administration. In 1983, these funds generally will be distributed by the formula established for a new Section 9 grant program, discussed below. For the years 1984-1986, the funds will be distributed by the Secretary under the existing discretionary capital grant program, at a 75/25 Federal/local matching share (the program currently operates under 80/20 Federal/local matching shares).

The bill establishes a new Section 9 urban formula grant program (funded by general funds and not the gas tax) for the years 1984-1986 to replace the existing formula grant provisions. The funds will be distributed by formula to States and localities roughly based 2/3 on existing bus miles and 1/3 on rail miles. These grants may be used for both operating subsidies and capital construction and rehabilitation purposes. If used for capital purposes, the Federal share will be 80%; operating subsidies will have a 50% Federal share.

The Administration had proposed that operating subsidies be reduced in 1983 and phased out completely after 1984. Instead, the bill provides for a continuation of operating subsidies through the new Section 9 grant program for the years 1984-1986. The bill does, however, reduce operating subsidies on a one-time basis in 1983. In 1983, cities over 1 million in population will be limited to 80% of the operating subsidy allocations received in 1982; cities between 200,000 and 1 million will be limited to 90% of 1982 subsidies and cities below 200,000 will be limited to 95% of their 1982 operating subsidies. This should result in a total reduction of approximately 16% from 1982 operating subsidy levels of $1.035 billion. However, cities may obligate up to 100% of their 1982 levels of operating subsidies in 1983 and 1984, if they are willing to divert capital funds to operating purposes as well as accept a net reduction in total Federal transit dollars.

As with highways, the bill broadens the "Buy America" provisions of current law. The bill requires that rolling stock must be made in the United States unless it is at least 10% more expensive than foreign made products; other transit products must be made in the United States unless the price differential is at least 25%. Rolling stock made in the United States must have at least 50% of value added in the United States and must be assembled here. Other transit products made in the United States must have 100% of their value provided in this country. The Administration strongly opposed this provision.

Finally, it is clear that the Congress anticipates that the increased authorizations will be used to fund "new starts" for subways. To date, the Administration has resisted new starts because of the substantial Federal costs and increased demand for operating subsidies caused by opening new subway lines.

Highway Tax Revisions: H.R. 6211 increases the Federal gasoline user tax by 5 cents per gallon, from the current 4 cents level to 9 cents per gallon, as requested by the Administration. Because of improved auto mileage and reduced driving levels, current tax revenues are insufficient to meet highway and bridge construction and restoration needs. The increased tax will go into effect on April 1, 1983, and lapses on April 1, 1988. Four cents of this increase will be used to finance highway projects and one cent for transit projects.

As requested by the Administration, the bill also revises other taxes on truck and equipment sales to place a heavier cost burden on heavy trucks, consistent with the wear and tear they impose on the highway system. According to Administration studies, heavy trucks are currently underpaying their fair share and are being subsidized by small trucks. In addition, an annual use tax is authorized to be assessed on the heaviest trucks (those over 33,000 pounds) on a sliding scale. The use tax is currently set at a maximum of $240 per year. H.R. 6211 increases that tax to $1600 on July 1, 1984, and increases it to a maximum of $1900 in 1988 for trucks weighing over 80,000 pounds. The Administration recommended a maximum heavy truck use tax of $2700 beginning October 1, 1983. Trucks which travel less than 5,000 miles per year on public highways (such as certain farm and construction equipment) will be exempt from the truck use tax.

Sales of gasohol are now exempt from the current 4 cents gas tax. The enrolled bill raises the exemption to 5 cents, so that there will be a 4 cents tax on gasohol. The bill provides for a continuation of a complete gas tax exemption for fuel used by State and local governments and buses, and for certain other alcohol fuels (such as methane), and a 4 cents exemption for taxicabs. It allows for an extended period for payment of fuel taxes by certain oil jobbers.

Miscellaneous Non-Germane Amendments

H.R. 6211 contains numerous non-germane provisions which were added to the bill. The most important of these provisions are discussed below.

Unemployment Benefits Extension: The bill amends the recently enacted Federal Supplemental Compensation (FSC) program to increase the number of weeks of unemployment compensation benefits. Under present law, which expires March 31, 1983, individuals who have exhausted their unemployment benefits can receive 10, 8, or 6 additional weeks of benefits depending on the unemployment rate in their States. This provision leaves the expiration date unchanged but increases the number of weeks of additional benefits under FSC to 16, 14, 12, 10, or 8. The Labor Department estimates the cost at about $540-$600 million.

The provision is Congress' attempt to assist unemployed workers who have exhausted, or will soon exhaust, their present FSC benefits. The Administration had opposed any changes to the existing FSC program during the lame duck session of Congress. The Labor Department, in commenting on a related House bill, indicated that it was studying the impact of the present law on individuals and that the study would be completed in January. At that time, the Labor Department planned to present its findings and recommendations to the Congress.

Maritime Loan Guarantee Limits - The enrolled bill amends the Merchant Marine Act, by specifying that Federal commitments to guarantee vessel construction loans may not be limited except as specified in authorization legislation. It also prohibits denying a loan guarantee on the basis of the type of vessel involved (e.g.,, oil rigs are currently ineligible for Federal loan guarantees). The Administration opposed this provision because it will make it harder to control the credit budget and will open the door to loan guarantees for unworthy projects. This is especially undesirable because Congress has not enacted maritime authorization legislation for fiscal year 1983. Therefore, no loan guarantee limits have been set by the Congress and the Administration is prohibited from setting an administrative limit, as has been done in previous years. We interpret this provision as allowing the Administration to set priorities for the use of this money, even though a limit could not be set and certain types of vessels could not be eliminated outright.

Airport Grants - The bill amends the Airport and Airway Improvement Act of 1982 (P.L. 97-248) to establish a "supplementary discretionary fund" making available $475 million in additional contract authority for the Airport Improvement Program during the years 1983-1985. This provision increases the funding for airport grants for these years far in excess of the $2.3 billion enacted just a few months ago and far beyond what the Administration previously has stated is acceptable.

Reforestation Expenditures - The bill requires that for each of the fiscal years 1983, 1984, and 1985, the Secretary of Agriculture must expend all funds in the Reforestation Trust Fund for reforestation and timber stand improvement work in national forests. The Administration has not requested any appropriations for this program for 1983 and subsequent years. This provision circumvents the appropriation process and requires an expenditure of more than $140 million over the budget request, in addition to $108 million included in the Interior and Related Agencies Appropriation Act of 1983.

Fisheries Grants - H.R. 6211 requires, effective October 1, 1983, that all monies in the Saltonstall-Kennedy (S-K) Fund -- approximately $32-$36 million annually -- be expended or obligated by the Department of Commerce to develop the fishing industry through grants (60% of the funds) and other activities. Moreover, it explicitly prohibits transfer of monies in the S-K Fund for other uses. Such transfers have been made in the recent past to support the National Oceanic and Atmospheric Administration (NOAA) fisheries research and management activities, on the grounds that it is inconsistent with overall Administration policy to provide special subsidies to support the development of the fishing industry. Since the 1984 Budget will propose the transfer of all monies in the S-K Fund to support NOAA activities, it will be necessary to seek legislation to remove the limitation specified in H.R. 6211.

Nuclear waste dumping - For two years following your approval of H.R. 6211, the Environmental Protection Agency will not be able to issue permits for the ocean dumping of (1) low-level radioactive wastes unless conditions specified in the enrolled bill are met and (2) radioactive waste material until the permit applicant has prepared a comprehensive Radioactive Material Disposal Impact Assessment and the Congress passes a joint resolution approving issuance of a permit. With respect to the requirement for approval of a permit by joint resolution of Congress, it is unclear from the language in the enrolled bill if this applies to only high-level radioactive waste or low-level waste as well. These restrictions will lead to more difficulty in obtaining such permits and, in the case of the Navy Department, may seriously impede their plans to dispose of decommissioned nuclear submarines in the ocean.

Fuel Assistance Payments - The bill would provide that assistance received for home energy costs (both heating and cooling) which is based on need and is furnished in kind by a private nonprofit agency or certain other specified providers would be excluded when computing an individual's income for the Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) programs. For AFDC, the exclusion would be at the option of each State. The provisions would apply through June 30, 1985.

Boating Safety Grants - The bill increases the tax on motorboat fuel from 4 cents to 9 cents per gallon, and provides that funds expended from the National Recreational Boating Safety and Facilities Improvement Trust Fund will be contract authority in the future, rather than normal appropriations as under present law. This provides $45 million of annual backdoor financing of a program for which the Administration has only requested a $5 million appropriation.

Tax Amendments: There are a number of non-germane tax provisions, the most important of which:

- Allows deductions for conventions on cruise ships. Under present law, expenses incurred by an individual in attending business-related conventions or meetings are generally deductible as ordinary and necessary expenses. Specifically excluded, however, are expenses incurred in attending conventions on cruise ships. The enrolled bill allows a deduction for attending a convention or similar business-related meeting held on a cruise ship if (1) the vessel in question is of United States registry, (2) all ports of call are within the United States, and (3) expenses incurred do not exceed $2000 in one year ($1000 in the case of a married person filing separately).

- Provides relief to three California public utilities by waiving certain tax accounting rules generally imposed on public utilities. Under existing law, regulated public utilities generally are allowed the investment tax credit and accelerated depreciation only if these tax benefits are "normalized." (The normalization rules are intended to ensure that increased cash flows resulting from certain tax benefits are viewed by State public utility commissions as incentives for investment and not as subsidies that must be passed through to ratepayers.) Until recently, regulatory authorities in California have for ratemaking purposes accounted for accelerated depreciation and the investment tax credit in a manner that the Treasury Department believes violates the normalization rules. Absent legislative relief, three California utilities will be subject to the severe sanctions that the tax code imposes for failure to satisfy normalization requirements: mandatory use of straight-line depreciation for earlier years and loss of the investment tax credit. The bill restates and makes more specific the normalization rules applicable to regulated public utilities and sets forth transitional rules that provide relief to the three California utilities.

David A. Stockman

David A. Stockman
Director

Enclosures

Tab A

Comparison of Authorizations -- Administration vs. H.R. 6211
($ in billions)

| | 1983 | | 1984 | | 1985 | | 1986 | | Total 1983-1986 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Admin. | H.R.6211 | Admin. | H.R.6211 | Admin. | H.R.6211 | Admin. | H.R.6211 | Admin. | H.R.6211 |
| Highways: | | | | | | | | | | |
| Interstate Construction | 3.806 | 4.000 | 4.000 | 4.000 | 4.500 | 4.000 | 4.500 | 4.000 | 16.806 | 16.000 |
| Interstate Rehab.(4R) | 2.102 | 1.950 | 2.550 | 2.400 | 2.800 | 2.800 | 3.000 | 3.150 | 10.452 | 10.300 |
| Interstate Transfers | - | .257 | .650 | .700 | .650 | .700 | .650 | .725 | 1.950 | 2.382 |
| Primary | 1.875 | 1.850 | 2.000 | 2.100 | 2.100 | 2.300 | 2.300 | 2.450 | 8.275 | 8.700 |
| Secondary | .400 | .650 | .400 | .650 | .400 | .650 | .400 | .650 | 1.600 | 2.600 |
| Urban | .800 | .800 | .800 | .800 | .800 | .800 | .800 | .800 | 3.200 | 3.200 |
| Bridge | 1.358 | 1.600 | 1.510 | 1.650 | 1.510 | 1.750 | 1.510 | 2.050 | 5.888 | 7.050 |
| Safety Construction | .390 | .390 | .390 | .390 | .390 | .390 | .390 | .390 | 1.560 | 1.560 |
| Min. apportion-ment (85%) | - | .510 | - | .589 | - | .597 | - | .631 | - | 2.327 |
| Safety Grants/Other | .599 | .889 | .684 | .786 | .694 | .826 | .634 | .707 | 2.611 | 3.208 |
| Total | 11.330 | 12.896 | 12.984 | 14.065 | 13.844 | 14.813 | 14.184 | 15.553 | 52.342 | 57.327 |

Tab B

Comparison of Authorizations -- Administration vs. H.R. 6211
($ in billions)

| | 1983 | | 1984 | | 1985 | | 1986 | | Total 1983-1986 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Admin. | H.R.6211 | Admin. | H.R.6211 | Admin. | H.R.6211 | Admin. | H.R.6211 | Admin. | H.R.6211 |
| Transit: | | | | | | | | | | |
| Urban Formula | .640 | 0 1/ | 1.945 | 2.669 | 1.955 | 2.864 | 2.030 | 2.961 | 5.655 | 8.494 |
| Gas Tax Funded Capital | .550 | .756 | 1.100 | 1.250 | 1.100 | 1.100 | 1.100 | 1.100 | 3.850 | 4.206 |
| Rural Formula | .075 | .023 2/ | .075 | .081 | .075 | .086 | .075 | .089 | .300 | .279 |
| Res. and Training 4/ | .045 | .086 | .047 | .091 | .047 | .100 | .047 | .100 | .186 | .377 |
| Interstate Transfers | 0 3/ | .365 | .650 | .380 | .650 | .390 | .650 | .400 | 1.950 | 1.535 |
| Total | 1.310 | 1.230 | 3.817 | 4.471 | 3.827 | 4.540 | 3.902 | 4.650 | 12.856 | 14.891 |

1/ $875 million has already been appropriated for this program in 1983 (P.L. 97-369).

2/ $68.5 million has already been appropriated for this program in 1983 (P.L. 97-369).

3/ While the Administration did not request any authorizations for this program in 1983, it did request $250 million in 1983 appropriations.

4/ For each of the years, the Administration also requested an additional $30 million appropriations for administrative expenses; the Administration's authorization request was for "such sums as may be necessary."

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

January 27, 1983

The Honorable David R. Stockman
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

At the request of your office, I am writing to convey, for the record, the views of this office on the recently enacted Surface Transportation Assistance Act of 1982. As you know, these views were verbally conveyed to your staff at the time the bill was enrolled.

The primary interest of this office in the bill concerned its Buy America provisions. The House-proposed version of the bill contained extremely restrictive Buy America provisions which we found highly objectionable. These restrictions would have required the purchase of American products regardless of cost with only minor exceptions. The Senate version, on the other hand, left intact previously legislated Buy America provisions which we found more reasonable.

The House and Senate were able to compromise on this provision which increases Buy America preferences, but only to a limited degree, and provides important exceptions. We would have preferred that the original Senate language on this matter be adopted. However, we view the House-Senate compromise as reasonable. Therefore, from our perspective, we have found no reason to recommend against the President's signature of the bill.

Sincerely,

Donald E. deKieffer

Donald E. deKieffer

1.8

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JAN 11 1983

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This is in response to your request for the views of the Small Business Administration on Enrolled Bill H.R. 6211, the "Highway Improvement Act of 1982." It will supplement our previous discussion with Ms. Fox of your staff. The only subsection of this Enrolled Bill which SBA will comment on is subsection 105(f). That subsection provides that

> "(f) Except to the extent that the Secretary determines otherwise, not less than 10 per centum of the amounts authorized to be appropriated under this Act shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals as defined by section 8(d) of the Small Business Act (15 U.S.C. section 637(d)) and relevant subcontracting regulations promulgated pursuant thereto."

The effect of this provision is to allow at least ten percent of the funds authorized to be appropriated under the Act to be expended with small business firms which are owned and controlled by Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to section 8(a) of the Small Business Act.

As a result of this provision, significant amounts of government funds will be spent with small business concerns owned and controlled by the above-named concerns in the furtherance of the objectives of the Highway Improvement Act of 1982. This is a commendable result and SBA heartily endorses it. We stand ready to assist the Secretary of Transportation in implementing this provision.

Sincerely,

James C. Sanders
Administrator

DEPARTMENT OF STATE

Washington, D.C. 20520

JAN 6 1983

Dear Mr. Stockman:

This is in reply to the request of your office for the views of the Department of State on H.R. 6211, an enrolled bill entitled "The Surface Transportation Act of 1982." This bill contains a number of important provisions concerning gasoline taxes, the regulation of trucking, the construction and repair of roads and bridges, the modernization of urban mass transit systems, and other matters which are unrelated to the foreign policy interests of the United States. Because of the importance of this legislation to the Administration's broad policy objectives, we recommend that the President sign the bill.

We regret, however, that the bill contains language requiring, in certain circumstances, that contractors purchase only goods made in the United States. "Buy National" provisions in our own laws make it more difficult to persuade our trading partners to open their markets to American goods, and they run counter to the free-trade orientation of the Administration. We hope, therefore, that the "Buy America" provisions of the bill will be repealed at an early date.

With cordial regards,

Sincerely,

Powell A. Moore

Powell A. Moore
Assistant Secretary
for Congressional Relations

The Honorable
David A. Stockman, Director,
Office of Management and Budget

DEPARTMENT OF COMMERCE • UNITED STATES OF AMERICA

**GENERAL COUNSEL OF THE**
**UNITED STATES DEPARTMENT OF COMMERCE**
Washington, D.C. 20230

January 5, 1983

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Stockman:

In response to your request for our views concerning H.R. 6211, an enrolled enactment entitled the "Surface Transportation Assistance Act of 1982", the Department of Commerce recommends Presidential approval of this bill.

This bill was a bipartisan effort to repair the nation's deteriorating roads and transit system, finish the Interstate Highway System and provide jobs. The bill accomplishes these goals by increasing the taxes on gasoline, diesel fuel, and special motor fuels from 4 cents per gallon to 9 cents per gallon; increasing the excise taxes on trucks, truck parts, and tires; and authorizing appropriations for highway construction and mass transportation.

While the bill also contains a Buy-America provision which may make it more difficult to expand the coverage of the Government Procurement Code to cover foreign government entities that are major purchasers of transportation equipment the provision is not inconsistent with our international obligations under that Code. Moreover this provision would permit the Secretary of Transportation to waive the Buy-America requirement if it is in the public interest to do so.

Sincerely,

Sherman P. Margolis
for Sherman E. Unger
General Counsel

U. S. Department of Justice
Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

10 JAN 1983

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

The Department of Justice has reviewed enrolled bill H.R. 6211, the "Highway Improvement Act of 1982." We are aware that certain provisions of this legislation are a major part of the Administration's program and that Executive approval has been given.

We must object, however, to section 413 of H.R. 6211. Section 413 appears to be intended to grant authority to the Secretary of Transportation to conduct litigation arising under Title IV of the bill. As you are aware, it is the position of the Department, and which is supported by the Administration, that the litigation of the United States must be conducted by the Attorney General. To depart from this principle raises the potential that the conduct of the litigation of the United States will be uncoordinated and similarly situated litigants will be subjected to different treatment. Accordingly, we will in the near future be submitting to your office for Administration clearance a draft bill which will clarify the authority of the Attorney General to conduct litigation arising under Title IV of H.R. 6211. We ask that this be given expeditious consideration so that it may be submitted to the Congress.

Sincerely,

Robert A. McConnell

ROBERT A. McCONNELL
Assistant Attorney General

U.S. Department of Transportation

General Counsel

400 Seventh St., S.W.
Washington, D.C. 20590

The Honorable David A. Stockman
Director, Office of Management
Budget
Washington, D.C. 20503

JAN 4 1983

Dear ~~Mr.~~ Dave Stockman:

Reference is made to your request for our comments concerning H.R. 6211, an enrolled bill

> "To authorize appropriations for the construction and rehabilitation of certain highways in accordance with Title 23 of the United States Code, for highway safety, for mass transportation and to amend certain other acts."

This is the most important and comprehensive highway and mass transit legislation that the Congress has enacted in many years. This bill provides the capital investment necessary to begin the rebuilding of this nation's transportation infrastructure. It is philosophically consistent with a number of Administration tenets since it provides increased flexibility to state and local governments, eliminates several overly burdensome requirements, and most importantly, firmly establishes that the user fee method of paying for the nation's major capital undertakings provides an acceptable and reliable means of financing. In that regard, we believe the legislation will provide Congress with a model for other infrastructure rebuilding proposals.

The Administration's primary objective in proposing this legislation was to provide for renewed investment to help rebuild our deteriorating highway and transit systems. The infrastructure improvements that this legislation provides for will significantly benefit the economy. The bill will also benefit the economy by creating jobs, especially for the construction industry. In addition, a substantial portion of the existing cross-subsidy from lighter trucks to heavier trucks will be eliminated by the restructuring of the tax system contained in the bill. Overall the legislation will provide for a transportation system that can contribute to and enhance our nation's resurging economy.

Title I of the bill provides Interstate and other Federal-aid highway authorizations through 1990 and 1986 respectively. The general emphasis of the Title is on rehabilitation and reconstruction of the existing highway system.

Title II of the bill provides highway safety authorizations through 1986 and requires a study of the benefits of the 55 m.p.h. speed limit and whether state speed limit laws deter its violation.

Title III of the bill contains mass transit authorizations and substantial program restructuring provisions that establish block grants to state and local transit authorities. The transit title will provide local decision-makers with increased flexibility and responsibility for day-to-day decisions and will reduce the Federal role in local transit activities.

Title IV of the bill revises our laws regarding allowable truck sizes and weights on the Interstate system and other designated highways and provides for enhanced enforcement and implementation of new motor carrier safety activities.

Finally, Title V of the bill contains the tax structure revisions mentioned above. This Title finances the increased levels of highway and mass transit spending by increasing net tax receipts from highway user taxes and extending the Highway Trust Fund through 1988. This Title represents a delicately struck compromise by the House and the Senate. While the bill does not shift the taxes and eliminate the inequities in current cost allocation to the extent that the Administrator had originally proposed, the compromise does substantially reallocate the tax burden to heavier trucks and, most importantly, the compromise adequately funds the highway provisions of the bill.

The program restructuring and authorization levels proposed in this bill represent a strong Federal commitment to an effective national transportation system. Even though Congress has modified a number of our original provisions and added a few of their own we believe that overall this legislation provides the nation with a comprehensive and thorough framework for dealing with the transportation problems we will face over the next decade.

The Administration and Congress should be proud of this legislation. The bill enjoyed broad bi-partisan support and cooperation in both the House and Senate. We take pleasure in recommending that the President sign the enrolled bill.

Sincerely,

John M. Fowler

01/04/82

# FACT SHEET

SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

Title I: Highway Improvement Act of 1982
Title II: Highway Safety Act of 1982
Title III: Federal Public Transportation Act of 1982
Title IV, Part A: Commercial Motor Vehicle Safety
Title IV, Part B: Commercial Motor Vehicle Length Limitation
Title V: Highway Revenue Act of 1982

## SCOPE OF BILL

- o 5-cent increase in motor fuels tax (gasoline and diesel) to 9 cents beginning April 1, 1983.

- o 4-year authorization period, beginning with extension of full-year authorizations for FY 1983, through FY 1986.

- o See attached table for authorizations.

## TITLE I

I. Interstate System

- o Increases authorizations for Interstate System. (Section 102)

- o Retains one-half percent minimum apportionment to States for Interstate construction. (Section 103)

- o Increases Interstate construction discretionary fund by $300 million through annual set aside. Discretionary funds supplemented by an amount equal to the apportionments for withdrawn Interstate routes. Establishes priorities for distribution of Interstate Discretionary. (Section 115)

- o States may transfer an amount equivalent to the cost to complete of open-to-traffic Interstate segmentsto Interstate 4R. No more than 50 percent of a State's Interstate construction apportionment can be transferred during a fiscal year. Subsequent estimates of Interstate completion costs will be reduced by amounts transferred. (Section 116)

- o Retains Interstate 4R minimum apportionment formula. (No provision necessary.)

- o Creates Interstate 4R Discretionary Fund from 4R funds which have not been obligated by the end of the 4-year availability period. (Section 115)

- o Provides contract authority for Interstate highway substitute projects, which are to be financed from the Highway Trust Fund. Transit substitutes continue to be general funded and require appropriations. (Section 107)

- o Beginning in FY 1984, provides new distribution method for transit and highway Interstate substitutes. Highway substitute authority is distributed 75 percent on the basis of a cost estimate and 25 percent on a discretionary basis. Transit substitute appropriations are distributed 50 percent on the basis of a cost estimate and 50 percent on a discretionary basis. (Section 107)

- o Expands eligible routes for Interstate withdrawal to rural areas. (Section 107)

- o Interstate substitute costs may be escalated up to and including the 1983 ICE, or until June 30, 1980 (whichever is higher). (Section 107)

II. Bridge Replacement and Rehabilitation

- o Changes apportionment formula (for each subcategory of on- and off-system) to reflect replacement and rehabilitation needs and unit costs. Ceilings on State shares of apportionments are increased to 10 percent. Off-system minimum and maximum requirements are retained. (Section 121)

- o Retains current program structure with its $200 million takedown for discretionary bridges. (Section 122)

- o Secretary directed to develop a selection process for discretionary bridges, incorporating stated criteria into a formula resulting in a rating factor. Eligible bridges will then be limited to bridges with a rating factor of one hundred or less. (Section 161)

III. Primary Program

- o Revises apportionment method to incorporate two formulas: one containing the current factors of area, rural and urban population and postal route mileage; the other based on urban and rural population. Apportionments will be derived from the more advantageous of the two formulas mentioned above and a one-half percent minimum. (Section 108)

- o Provides a one-half percent minimum primary apportionment for the territories (taken together as one State). (Section 108)

- o Repeals connector primary demonstration project. (Section 105)

- o Does not fund priority primary separately, but establishes priority for use of primary funds at 95 percent Federal share on certain designated projects. (Section 117)

IV. Earmarkings, Federal Share, and State Match

- o Temporarily waives State matching fund requirement (FY 1983 and FY 1984) for obligations in excess of the FY 1982 obligation ceiling where matching funds are unavailable, with requirement for repayment. In cases where repayment is not made, deductions would be taken from FY 1985 and FY 1986 apportionments. Deducted amounts would be reapportioned to States which have not taken advantage of the waiver and for States which have made cash repayment. (Section 145)

- o Beginning with FY 1984 funds, earmarks a minimum of 40 percent of each State's Primary, Secondary, and Urban apportionments for 4R purposes. (Section 105)

- o Unless the Secretary determines otherwise, requires 10 percent of the funds provided by the Act for each State to be expended with small business concerns owned by socially and economically disadvantaged individuals. (Section 105)

- o Provides a 90 percent Federal share for projects financed with Primary System apportionments for 4R purposes on an Interstate route. (Section 117)

- o Provides 100 percent Federal funding, from system apportionments, for carpool and vanpool, bicycle and pedestrian walkway projects. (Sections 123 and 126)

- o Provides an 85 percent Federal share for projects which make 4R improvements to roads on Federal-aid systems which incur a substantial use as a result of transportation activities to meet national energy requirements, as agreed to by the Secretary. (Section 109)

V. Truck Weight

- o Makes mandatory the previously permissive maximum weight limits of 80,000 pounds gross, 20,000 pounds single axle, and 34,000 pounds tandem axle on Interstate System only (with reasonable access to be permitted from the Interstate to terminals). Application of "Bridge Formula" continues. (Section 133)

- o Permits States to initially determine their grandfather rights

- o Effective September 30, 1984, States must require proof of payment of the heavy use tax before registering vehicles. Failure results in withholding of up to 25 percent of Interstate apportionments. (Section 143)

VII. Other Provisions

- o Provides minimum allocation grants such that each State percentage share of apportionments shall be at least 85 percent of its percentage of estimated Highway Trust Fund contributions. (Section 150)

- o Establishes obligation ceilings for FY 1983-1986 ranging from $12.1 billion to $14.45 billion for Federal-aid highways. Distribution of this ceiling each year will be based upon both apportioned and allocated funds. (Section 104)

- Permits transfer of Urban System attributable allocations from urbanized areas of 200,000 or more population to another urbanized area or an urban area, at the request of the Governor and with approval of the affected local officials and the Secretary. (Section 124)

- Establishes a coordinated Federal Lands Highway Program consisting of forest highways, public lands highways, park roads and parkways, and Indian reservation roads. Jurisdiction of these Federal roads would not be transferred; rather DOT would be involved in coordination with the land managing agency, in the planning studies and program development, and provision for design and construction assistance. (Section 126)

- Applies Davis-Bacon rules regarding prevailing wage rates to 3R and 4R projects as well as initial construction. (Section 149)

- Clarifies Emergency Relief program provisions, restricting funding to repairs due to external catastrophic failures. Limits each State to $30 million per disaster. All expenditures will come from the Highway Trust Fund and the normal Federal share is established at 100 percent. (Section 153)

- Allows maintenance sanctions to be applied to smaller governmental units within States rather than entire States. (Section 114)

- Special provisions for demonstrations in particular localities include: (Section 131)

  Port freight transportation: Los Angeles
  State-of-the-Art construction demo: Altoona
  Shoreline erosion: Buhne Point-Humboldt Bay, California
  Congestion reduction: East Baton Rouge, Louisiana
  Accelerated construction: Louisville, Kentucky
  State procedures certification: Vermont
  Lake erosion: Devil's Lake, North Dakota
  Downtown congestion relief: Miami, Florida
  Truck Safety and Railroad Crossing: Idaho
  High Volume Facilities: Illinois

- Modifies Buy America requirement by raising the differential at which foreign products can be used from 10 percent to 25 percent, except for the acquistion of rolling stock. (Section 169)

## TITLE II

### I. Highway Safety Programs

- Current programs for Hazard Elimination and Rail-Highway Crossings are continued. Authorizations continued at same level as currently provided. (Sections 202(2) and 205)

- Authorizations for Section 402 and Section 403 safety programs provided for FY 1985 and FY 1986 at same level as provided for FY 1983 and FY 1984 by 1981 Omnibus Budget Reconciliation Act. (Section 203)

- Of the $100 million authorization for NHTSA related 402 activities, $20 million is to be obligated for the purpose of enforcing the 55 mph speed limit. (Section 203(a)(2))

## TITLE III

### I. Mass Transit Account of Highway Trust Fund

- 1-cent equivalent highway user revenues dedicated to Mass Transit Account of Highway Trust Fund and authorized to finance Section 21 authorizations of the Urban Mass Transportation Act.

- Section 21 authorizations include:

| | | |
|---|---|---|
| FY 1983 | Section 9A | Urbanized Area Formula Block Grants (see below) |
| | Section 18 | Rural Formula Grants |
| FY 1984-1986 | Section 3 | Discretionary Capital Program |
| | Section 4(i) | Innovative Grants |
| | Section 8 | Planning & Technical Studies |
| | Section 9 | Urbanized Area Formula Block Grants |
| | Section 16 | Special Needs of Elderly and Handicapped |
| | Section 18 | Rural Formula Grants |

- Section 3 discretionary funds' Federal share reduced from 80 percent to 75 percent.

- Section 18 fund period of availability reduced from 3 years to 2 years, after which they are reapportioned among the States.

### II. New Section 9 and 9A Block Grant Formula Programs

- Financing:

  FY 1983--Apportionments from Transit Account of Highway Trust Fund (Section 9A)

  FY 1984 through 1986--Apportionments from general fund (Section 9)

- Federal share not to exceed 80 percent for construction projects and 50 percent for operating expenses.

- Eligibilities:

  - Section 9 funds may be used to finance the planning, acquisition, construction, improvement, and operating costs of facilities, equipment and associated capital maintenance items.

  - Section 9A program is similar to Section 9. However, operating expenses are not eligible.

- In FY 1983 there is a reduction in the level of operating assistance available. From FY 1982 operating levels, areas of 1 million or more population are reduced by 20 percent; areas of less than 1 million and more than 200,000 population are reduced by 10 percent; and areas of less than 200,000 population are reduced by 5 percent.

- Notwithstanding these cuts in operating assistance, for 2 years recipients are able to go up to their FY 1982 operating levels by using funds from their capital apportionment for operating assistance. In so doing, however, the capital funds are discounted by one-third, and any such one-third "savings" are an available to the Secretary for discretionary grants.

- In FY 1983 and FY 1984, capital assistance funds may be transferred to be used for operating assistance up to a percentage of the area's FY 82 operating (Section 5) apportionment, if certain conditions are met.

## TITLE IV

### I. Motor Carrier Grant Program

- Establishes Motor Carrier Grant Program to assist States in developing programs of commercial safety inspection and enforcement. Federal share is 80 percent. (Section 402)

### II. Truck Size

- Requires States to allow twin trailer combination trucks on any segment of the Interstate System and designated Federal-aid primary highways. (Section 411)

- Sets minimum trailer length of 28 feet for doubles and 48 feet for single trailer combinations with no length restrictions permitted on the tractor or overall configuration. (Section 411)

- Enforcement provisions for length requirements rely on injunctive relief. Sanctions which withhold Federal-aid apportionments only apply to weight limitations. (Section 413)

- NOTE: Mandatory 102" motor vehicle maximum width established by Section 321 of 1983 DOT Appropriation Act (P.L. 97-369).

## TITLE V

### I. Highway Revenue Provisions

- Extends dedication of taxes to Highway Trust Fund until October 1988.

- Extends period in which expenditures from Highway Trust Fund can be made up to October 1, 1988.

- o User tax changes go into effect on April 1, 1983, except for the heavy vehicle use tax (which is phased-in beginning July 1, 1984) and the tire taxes effective January 1, 1984. Elimination of certain taxes is effective on the date of enactment.

- o Features of the proposed user tax structure area:

  - o a 9-cent per gallon tax on all motor fuels;
  - o gasohol exemption is 5 cents per gallon through 12/31/92;
  - o Intercity school and local buses are exempt from 9 cents per gallon tax as are State and local government vehicles;
  - o graduated tire tax on tires over 40 pounds;
  - o taxes on the sale price of new trucks of 12 percent at retail and applicable only to vehicles greater than 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds;
  - o deletion of the present taxes on lubricating oil, inner tubes, tread rubber, and truck parts and accessories;
  - o graduated use fee on heavy vehicles over 33,000 pounds with a phase-in and a top rate of $1,900 per year effective January 1, 1988; and
  - o very low mileage vehicles, such as certain logging trucks and heavy farm trucks, would be exempted from the new heavy vehicle-use fee (vehicles with less than 5,000 annual miles).

## HIGHWAY AUTHORIZATIONS - FY 1983 THROUGH FY 1986
(In millions of dollars)

| Program | Fiscal Year 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|
| **TITLE I PROGRAMS** | | | | |
| Interstate [1/] | 4,000.0 | 4,000.0 | 4,000.0 | 4,000.0 |
| Interstate 4R [1/] | 1,950.0 | 2,400.0 | 2,800.0 | 3,150.0 |
| Interstate Highway Substitution [2/] | 257.0 | 700.0 | 700.0 | 725.0 |
| Primary | 1,850.0 | 2,100.0 | 2,300.0 | 2,450.0 |
| Primary Minimum [3/] | 40.3 | 40.9 | 44.8 | 47.7 |
| Secondary | 650.0 | 650.0 | 650.0 | 650.0 |
| Urban | 800.0 | 800.0 | 800.0 | 800.0 |
| Emergency Relief | 100.0 | 100.0 | 100.0 | 100.0 |
| Forest Highways | 50.0 | 50.0 | 50.0 | 50.0 |
| Public Lands Highways | 50.0 | 50.0 | 50.0 | 50.0 |
| Indian Reservation Roads | 75.0 | 100.0 | 100.0 | 100.0 |
| Parkways and Park Highways | 75.0 | 100.0 | 100.0 | 100.0 |
| Freight Transshipment Demo (L.A.) | 19.0 | 19.0 | 20.0 | --- |
| State of Art Construction Demo (PA) | 5.0 | 10.0 | 62.0 | --- |
| State of Art Repair Demo (CA) | 9.0 | --- | --- | --- |
| East Baton Rouge Interchange Demo | 5.0 | --- | --- | --- |
| Accelerated Construction Demo (KY) | 25.0 | 27.0 | --- | --- |
| Cert. of State Procedures Demo (VT) | 50.0 | --- | --- | --- |
| Lake Road Erosion Demo (ND) | 4.5 | --- | --- | --- |
| Downtown Congestion Relief Demo (FL) [12/] | 46.2 | --- | --- | --- |
| Truck Safety Demo (ID) | 8.5 | --- | --- | --- |
| High Volume Facilities Demo (IL) | 25.0 | 25.0 | 25.0 | 25.0 |
| Rail Highway Crossings Demo* | 50.0 | 50.0 | 50.0 | 50.0 |
| By-Pass Highway Demo [4/] | 55.0 | --- | --- | --- |
| Economic Growth Center [5/] | 11.0 | --- | --- | --- |
| Great River Road [5/] | 5.0 | --- | --- | --- |
| Minimum Allocation [3/] | 510.0 | 584.0 | 597.0 | 631.0 |
| **TOTAL TITLE I** | 10,725.5 | 11,805.9 | 12,448.8 | 12,928.7 |
| **TITLE II PROGRAMS** | | | | |
| Bridge R&R | 1,600.0 | 1,650.0 | 1,750.0 | 2,050.0 |
| Rail-Highway Crossings | 190.0 | 190.0 | 190.0 | 190.0 |
| Hazard Elimination | 200.0 | 200.0 | 200.0 | 200.0 |
| NHTSA 402 [6/] | 100.0 | 100.0 | 100.0 | 100.0 |
| FHWA 402 [6/] | 10.0 | 10.0 | 10.0 | 10.0 |
| NHTSA 403 [6/] | 31.0 | 31.0 | 31.0 | 31.0 |
| FHWA 403 [6/] | 13.0 | 13.0 | 13.0 | 13.0 |
| NHTSA 408 [7/] | 25.0 | 50.0 | 50.0 | --- |
| School Bus Driver Training [6/] | 1.5 | --- | --- | --- |
| National Driver Register [8/] | 3.0 | 1.0 | 2.0 | 2.0 |
| **TOTAL TITLE II** | 2,173.5 | 2,245.0 | 2,346.0 | 2,596.0 |

| Program | Fiscal Year | | | |
|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 |
| **TITLE III PROGRAM** | | | | |
| Block Grants* | --- | 2,750.0 | 2,950.0 | 3,050.0 |
| Large Urbanized Areas [9] | --- | (2,432.0) | (2,609.0) | (2,697.0) |
| Small Urbanized Areas [9] | --- | (238.0) | (255.0) | (264.0) |
| Section 18 | --- | (80.0) | (86.0) | (89.0) |
| Mass Transit Account Grants | 779.0 | 1,250.0 | 1,100.0 | 1,100.0 |
| Large Urbanized Areas [10] | (689.0) | --- | --- | --- |
| Small Urbanized Areas [10] | (67.0) | --- | --- | --- |
| Section 18 | (23.0) | --- | --- | --- |
| Planning and Technical Studies (Sect. 8 of UMT Act) | --- | (50.0) | (50.0) | (50.0) |
| Interstate Transit Substitutions* | 365.0 | 380.0 | 390.0 | 400.0 |
| RD&D, Admin., & Misc.* | 86.25 | 86.0 | 90.0 | 90.0 |
| Research & Training Grants* | --- | 5.0 | 10.0 | 10.0 |
| **TOTAL TITLE III** | **1,230.25** | **4,471.0** | **4,540.0** | **4,650.0** |
| **TITLE IV PROGRAMS** | | | | |
| Motor Carrier Safety Assistance Program [11] | --- | 10.0 | 20.0 | 30.0 |
| **TOTAL TITLE IV** | --- | **10.0** | **20.0** | **30.0** |
| **TOTAL ALL AUTHORIZATIONS** | **14,129.25** | **18,531.9** | **19,354.8** | **20,204.7** |

* General funded program (only one-third of Rail-Highway Crossing Demo authorization is General Funded).
1/ Year available (apportioned year in advance); authorization year is year shown plus one.
2/ For FY 1983, additional amounts provided by Continuing Resolution signed Oct. 1, 1982 ($518M for highways).
3/ Amounts shown are approximate. Actual amounts needed must be calculated each year.
4/ Provided by 1981 Federal-Aid Highway Act.
5/ Provided by 1982 Federal-Aid Highway Act.
6/ Authorizations for FYs 1983 and 1984 provided by Omnibus Budget Reconciliation Act of 1981.
7/ Provided by Alcohol Traffic Safety Programs (P.L. 97-364).
8/ Provided by National Driver Registration Act of 1982.
9/ Section 9 of Urban Mass Transportation Act, as amended.
10/ Section 9A of Urban Mass Transportation Act, as amended.
11/ Authorizations for FYs 1987 and 1988 of $30M and $40M, respectively, also are provided.
12/ Continuing Resolution (H.J. Res 631, P.L. 97-377) signed 12/21/82 provided $23.2M of this amount.

U.S. Department of Transportation
Office of the Secretary of Transportation

United States
Department of Transportation
Office of Public Affairs
Washington, D.C. 20590

# Fact Sheet



Subject: HIGHWAY USER FEE LEGISLATIVE UPDATE REFLECTING CONFERENCE COMMITTEE CHANGES

Date: Dec. 23, 1982
Phone: (202) 426-4570
Contact: Linda Gosden
Dick Schoenfeld

## BACKGROUND

On December 21, 1982, the House passed a compromise version of the five-cent-a-gallon increase in the federal motor fuel tax and a reallocation of the user fees paid by heavy trucks. The House passed the bill in a 187 to 80 vote following action by the House and Senate conferees. The measure is now before the Senate for final action.

The $5.5 billion in new annual revenues will fund the Federal share of the investment needed to complete construction of the Interstate system and proceed with the much-needed rehabilitation of the nation's highways, bridges and transit systems.

The stepped-up highway and transit projects will provide 170,000 extra jobs in construction related industries. By dealing now with the relatively lower costs of resurfacing and rehabilitation, we will avoid the higher costs of replacement and reconstruction later.

## FUEL

The Conference Report approved a Federal gasoline and diesel fuel tax increase of five cents, bringing the total Federal tax to nine cents-a-gallon (the first increase since 1959.) The effective date of this increase is April 1, 1983.

Gasohol will be subject only to a four cents-a-gallon Federal tax as of April 1, 1983. Buses are exempt from the current tax on fuel and they will also be exempt from the increased fuel taxes.

## HEAVY VEHICLES

The Conference Committee approved a five year phase-in of the graduated highway use tax for heavy vehicles, with the rate for the heaviest trucks staying at the present $240 per year for the next 18 months and increasing to $1600 on July 1, 1984, $1700 on July 1, 1986, $1800 on July 1, 1987 and the full rate of $1900 on July 1, 1988.

The final rates are as follow:

| | |
|---|---|
| 26,000 - 33,000 lbs. GVW | 0 |
| 33,000 - 55,000 lbs. GVW | $50 + $25/1,000 > 33,000 |
| 55,000 - 70,000 lbs. GVW | $600 + $52/1,000 > 55,000 |
| 70,000 - 80,000 lbs. GVW | $1380 + $52/1,000 > 70,000 |
| 80,000 lbs. GVW and above | $1,900 |

The Conference Committee approved an exemption for low-mileage vehicles which do not use the highways more than 5,000 miles per year. This exemption is aimed at farm vehicles, logging trucks, coal and other mining vehicles which are primarily used in off-highway operations.

## TRUCK SALES AND PARTS

The truck sales tax will be 12 percent for trucks over 33,000 lbs. gross vehicle weight (GVW) and trailers over 26,000 lbs. and will be collected at the retail level. The current eight percent sales tax on truck and trailer parts is abolished.

## TIRES

A graduated tax for tires has been approved by the Conference Committee, eliminating all taxes on inner tubes and tread rubber and tires under 40 lbs. Tires would be taxed as follows:

| | |
|---|---|
| $0.00 | first 40 lbs. |
| $ .15/lb. | next 30 lbs. of tire weight |
| $ .30/lb. | next 20 lbs. of tire weight |
| $ .50/lb. | balance of tire weight |

This means that a 100 lb. tire would have a $15.50 tax, based on $.00 for the first 40 lbs.,$.15 for the next 30 lbs., $.30 for 20 lbs. and $.50 for the last 10 lbs. The tire tax will take effect on January 1, 1984.

Normal passenger car tires would not be subject to any Federal tax.

TRUCK SIZES AND WEIGHTS

The conference-approved bill allows an increase in the size and weights of trucks operating on the Interstate system, which will produce greater productivity for the trucking industry. this provision effectively eliminates barriers that currently exist in three states for trucks up to 80,000 lbs. It also allows operation of doubles on Interstate highways. Regarding truck lengths, no state can set limits of less than 48 feet for singles and 28 feet wach for doubles. (The DOT appropriation bill increases the mandatory width of trucks to 102 inches.)

OTHER ISSUES

TRANSIT

One cent of the five cent revenue package would be used to help rebuild the nation's transit systems. This would add $1.1 billion to the amounts otherwise available for transit capital assistance.

The conferees approved a measure that would reduce transit operating assistance in FY 1983 and retain that level through FY 1986. The decrease, compared to FY 1982 levels, would be 20 percent for urbanized areas whose population exceed one million; 10 percent for areas between two hundred thousand and one million; and five percent for areas between fifty thousand and two hundred thousand. There would not be any statutory reduction in operating assistance for rural areas.

HIGHWAYS

For highway construction programs, the states are assured that they will receive not less than an 85 percent share of their estimated highway user payments into the Highway Trust Fund. Each state is guaranteed at least 1/2 of one percent of the Interstate construction and 4R (resurfacing, restoration, rehabilitation and reconstruction) funds as a minimum.

In order to allow all states to take advantage of the availability of increased funds for highway construction, the legislation temporarily waives state matching fund requirements for FY 1983 and 1984, where matching funds are unavailable. There is a requirement for cash repayment or deductions from FY 1985 and 1986 apportionments. Deducted amounts would be reapportioned to other states.

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

December 30, 1982

Dear Sir:

This is in reply to your request for the views of the Department of the Treasury concerning enrolled bill H.R. 6211, the "Surface Transportation Assistance Act of 1982." Title V of this bill is the "Highway Revenue Act of 1982," which restructures and simplifies the excise taxes that provide revenues for the Highway Trust Fund.

The Department of the Treasury supports the President's signing the enrolled bill, even though the Department opposed the provisions relating to deductions for conventions on cruise ships and energy tax credits for chlor-alkali electrolytic cells.

A summary of the major tax provisions of the Surface Transportation Assistance Act of 1982 is enclosed.

Sincerely,

John E. Chapoton /pe AAA

John E. Chapoton
Assistant Secretary
(Tax Policy)

Director, Office of
Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for
Legislative Reference

Enclosure

SURFACE TRANSPORTATION ACT OF 1982

Summary of Conference Agreement
on Tax Provisions

I. Highway-Related Revenue Provisions.

o <u>Motor fuels taxes</u> --

- The taxes on gasoline, diesel fuel, and special motor fuels are increased from 4 cents per gallon to 9 cents per gallon, effective for sales after March 31, 1983.

- The taxes on gasoline and special motor fuels used in motorboats are increased from 4 cents per gallon to 9 cents per gallon, effective for sales after March 31, 1983. The maximum amount of these revenues that can be transferred to the Boating Safety Fund is increased from $20 million per year to $45 million per year and the maximum allowable balance in that fund is also increased to $45 million.

o <u>Exemptions from motor fuels taxes</u> --

- <u>Gasohol</u>. -- An exemption of 5 cents per gallon through 1992.

- <u>Qualified taxicabs</u>. -- An exemption of 4 cents per gallon through September 30, 1984. (Additionally, the Treasury Department is directed to conduct a study on the effectiveness of this exemption.)

- <u>State and Local government use</u>; <u>intercity school, and local buses</u>; <u>nonprofit educational institutions</u>; <u>farming use</u>; <u>nonhighway business use</u>. -- An exemption of 9 cents per gallon through September 30, 1988.

- <u>Certain alcohol fuels</u>. -- An exemption of 9 cents per gallon for alcohol fuels consisting of 85 percent or more methanol, ethanol, or other alcohols derived from sources other than petroleum or natural gas, through September 30, 1988.

o The present law 40-cents-per-gallon income tax credit for certain alcohol fuels is increased to 50 cents per gallon effective through 1992.

o The tariff on imported alcohol fuels is increased from 40 cents per gallon to 50 cents per gallon, effective after March 31, 1983.

- For any person other than a refiner producing more than 1,000 barrels of oil per day, payment of the gasoline tax is extended by 5 days for taxpayers who pay by electronic transfer.

- The 10-percent manufacturers' excise tax imposed on the sale of trucks and trailers is converted to a 12-percent retail sales tax. In addition, the threshold weight over which articles are taxable is raised from 10,000 pounds to 33,000 pounds for trucks and 26,000 pounds for trailers. A new exemption is provided for dual use vehicles which are designed primarily for railroad use. The increase in the taxable threshold weight and the exemption for rail trailers are effective the day after enactment. The increase rate is effective for sales after March 31, 1983.

- The current 8-percent tax on parts and accessories is repealed, effective on the day after enactment.

- There is a graduated tax on highway tires at the following rate and poundage brackets: no tax on tires under 40 pounds (which includes virtually all tires for passenger vehicles); 15 cents per pound for tires between 40 and 70 pounds; 30 cents per pound for tires between 70 and 90 pounds; and 50 cents per pound for tires of 90 pounds and over. These changes are effective January 1, 1984. In addition, the taxes on nonhighway and laminated tires are repealed, effective January 1, 1984.

- The taxes on tread rubber and inner tubes are repealed, effective January 1, 1984.

- The tax on lubricating oil is repealed, effective on the day after enactment.

- The increased annual heavy vehicle use tax is imposed on a graduated tax schedule. The tax applies to highway vehicles weighing more than 33,000 pounds and traveling 5,000 miles or more on the public highways during the taxable period (July 1 - June 30). The increased tax is effective January 1, 1984, and is phased in over a 4-year period with an additional year of phase-in for truck fleets of 5 or less vehicles. After it is fully phased-in, the maximum use tax for heavy vehicles will: decrease from $99 to $50 per year for vehicles weighing 33,000 pounds; increase from $165 to $600 per year for vehicles weighing 55,000 pounds; and increase from $240 to $1,900 per year for vehicles weighing 80,000 pounds and more. Beginning January 1, 1985, a State must require proof of payment of the highway use tax before registering a vehicle in order to qualify for its highway apportionment for the fiscal year.

- Floor stocks taxes are imposed on items held in inventory on the effective date of any tax increase under the bill. Conversely, floor stocks refunds will be made for taxes paid on inventory items no longer subject to tax.

- The Highway Trust Fund is extended for 4 years, from September 30, 1984 through September 30, 1988.

- A separate Mass Transit Account is established in the Highway Trust Fund. It consists of the revenue equivalent of 1 cent a gallon of the 9 cents imposed on gasoline and diesel and special motor fuels. The conferees intend that a fair share of the funds be allocated to cities to fund new rail construction, bus fleet expansion, and other related projects.

II. Other Revenue Provisions.

- Certain noncorporate taxpayers would be entitled to a ratable ordinary deduction over a 60-month period for the cost of motor carrier operating rights held on July 1, 1980.

- A 10-percent energy investment tax credit is allowed for certain chlor-alkali electrolytic cells.

- An individual whose only gross income for Federal income tax purposes is a grant of $1,000 received from a State government need not file an income tax return with the Internal Revenue Service.

- Expenses of attending a business convention, seminar, or similar meeting that is held on a cruise ship would be deductible, not to exceed $2,000 per individual per year.

- Interest on obligations exempt from income tax under provisions of Federal law other than the Internal Revenue Code which are in effect on the date of enactment of the bill would be treated as exempt from tax under the Internal Revenue Code.

- The bill contains more specific rules under the normalization method of accounting used by public utilities. Normalization generally requires that tax benefits attributable to the investment tax credit, accelerated depreciation, and accelerated cost recovery be taken into account for ratemaking purposes over the service life of the asset that generates the tax benefits.

III. Other Provisions.

- Certain types of assistance provided to help meet a recipient's energy needs would be excluded in computing an individual's income for SSI and AFDC purposes. In the case of the AFDC program, the exclusion would be optional with each State. The provision applies to assistance in cash or kind if it is based on need in meeting home energy costs. The provision applies through June 1985.

- The bill modifies the number of weeks payable under the Federal Supplemental Compensation Program as follows:

  16 weeks are payable in States with an insured unemployment rate of 6 percent or more;

  14 weeks are payable in States with less than 6 percent insured unemployment if the State was eligible for extended benefits at any time between June 1, 1982, and enactment;

  12 weeks are payable in States where the insured unemployement rate is below 6 percent but at least 4.5 percent or if the State becomes eligible for extended benefits after enactment;

  10 weeks are payable in States where the insured unemployment rate is below 4.5 percent but not below 3.5 percent;

  8 weeks in all other States.

  The program will expire on March 31, 1983.

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

DEC 23 1982

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Dave:

This is in response to your request for our views on enrolled enactment H.R. 6211, the Surface Transportation Assistance Act of 1982. Although we have reservations, the Department of Labor does not oppose Presidential approval of this measure.

We have reservations concerning the following provisions of the enactment. Section 149 amends the Federal-Aid Highway Act of 1956, 23 U.S.C. § 113(a), to extend the Davis-Bacon Act prevailing wage coverage beyond "initial" construction to include federally-financed resurfacing, restoration, rehabilitation, and reconstruction of highways. We do not favor this expansion of Davis-Bacon Act coverage. However, we do not view this objection to be of sufficient importance to recommend a veto of the enrolled bill.

Another reservation pertains to the section of the bill which would provide additional weeks of Federal Supplemental Compensation (FSC) benefits to eligible claimants in every State. The number of weeks of FSC available to eligible claimants would depend upon the insured unemployment rate in their respective States and whether their State pays extended benefits during the life of the FSC program. The bill provides for a total of sixteen weeks of FSC to jobless workers in those States with insured unemployment rates of 6 percent or more. The bill also provides for fourteen weeks of FSC in States that have insured unemployment rates of less than 6 percent and that paid extended benefits between June 1, 1982 and the date of the enactment of this bill.

Twelve weeks of FSC are provided in States that either: (1) have an insured unemployment rate of at least 4.5 percent but less than 6 percent or (2) enter an extended benefit period after the date of this bill's enactment but were not in an extended benefit period between June 1, 1982 and the date of this bill's enactment. Ten weeks of FSC are to be paid in those States where the insured unemployment rate is at least 3.5 percent but less than 4 percent and where the State has not been in an extended benefit period at any time since June 1, 1982. Finally, the bill provides for eight weeks of FSC in all other States.

Under present law, FSC benefits are provided for six, eight, or ten weeks, depending upon the insured unemployment rate in the State. It is estimated that the present FSC program will cost $2.2 billion. The additional weeks of benefits provided by this bill add an estimated $540 to 600 million to that total.

The Department of Labor has taken the position that an extension of the FSC program would be premature and that the Congress should await a study of the FSC program, to be completed in January, before considering an extension. We would not, however, recommend Presidential veto on the basis of this provision alone.

We note that the bill also contains a provision that provides for the protection of employees who file complaints relating to violations of commercial motor vehicle safety standards. We further note that the bill provides that the Department of Labor has the responsibility to administer this provision. This provision is similar to other "whistleblower" provisions we administer.

Sincerely,

Raymond J. Donovan

Raymond J. Donovan

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

January 7, 1983

MEMORANDUM TO ROBERT F. BONITATI
SPECIAL ASSISTANT TO THE PRESIDENT

FROM: DARRELL M. TRENT

Attached is the paper dealing with the potential for an independent trucker shutdown which we discussed today. I have tried to limit our comments to a fairly brief factual presentation. Needless to say, a great deal more information is available.

If I can be of assistance over the weekend, please give me a call.

Attachment

# POTENTIAL INDEPENDENT TRUCKER SHUTDOWN

## :KGROUND

Over the last week, there have been scattered discussions of a strike or work slowdown by independent truckers (owner-operators) in response to changes in the truck taxes incorporated in the Surface Transportation Assistance Act of 1982 (STAA).

On January 7, Mike Parkhurst, head of the Independent Truckers Association (one of a number of owner-operator groups), publicly called for a two to three week shutdown to begin on January 31, 1983 (see Tab 1 for his press material).

Owner-operators are generally truck drivers who own and operate between one and five trucks. About one-third of the owner-operators carry agricultural exempt produce. The remainder lease their trucks and services to carriers with authority to haul regulated products. There are probably between 150,000 and 300,000 owner-operators in the industry.

Although the 1980 Motor Carrier Act made it much easier to apply for and receive authority to carry regulated goods, only a few owner-operators have taken advantage of this opportunity. The fact is that owner-operators continue to serve as a flexible source of capital (i.e., vehicles) and labor for the regulated carriers. Because it takes little training and limited capital › enter this field, owner-operators are perpetually in excess ɹpply, which allows the regulated carriers to keep their wages at a low level. Few are well versed in business management and there is a persistently high level of turnover in this sector of the trucking industry with a high failure rate and always new entrants ready to take their place.

The owner-operators insist on their independence, both in their working situation and in terms of their own organizations. It has been traditionally difficult for the government to deal with them through any one representative or to have their views presented through an organized front. This has resulted in the rise and fall of a large number of would-be spokespersons and a great deal of information (and misinformation) being spread through rumor and inuendo. While the issues which concern the owner-operators can generate a great deal of emotion, their independent philosophy, lack of organization and precarious financial situation usually precludes any job action, except in those instances when they have no other option. The 1974 and 1979 shutdowns are good examples. In both cases, the price and availability of fuel were at issue, with the latter meaning that the owner-operators in particular could not count on having the fuel to complete long hauls. This resulted in some cessation of service, picketing and sporadic violence.

EFFECTS OF THE LEGISLATION

ny owner-operators are presently responding emotionally to a .tuation which they do not understand and which is being described to them by people such as Parkhurst, who is focusing on media attention. The changes in the highway tax structure just enacted, legitimately charge heavy trucks for their portion of the program costs. (Actually, the amount allocated is less than our studies show to be their fair share.) The Act will affect various sectors of the trucking industry differently, but it does not discriminate against the owner-operators. In fact, there is a delay in the imposition of the heavy vehicle use tax for owners of five or fewer trucks of one additional year or until July 1, 1985.

It seems unlikely that we will see the entire fuel tax increase for gasoline at the pump because of the softness of the petroleum market. Additionally, some current taxes are eliminated by the new bill. The only substantial tax increase that the owner-operators will experience soon is the increase in the excise tax on truck sales, and this tax only impacts those who purchase new vehicles. Weighed against this are improvements to the highway system and truck size and weight regulation changes which will not only benefit truckers as individual carriers but will result in a general increase in the demand for freight motor carrier service over what would have been the case absent any action. A more complete description of the effect of the egislation on the owner-operators is presented in Tab 2.

LIKELY DEVELOPMENTS

The owner-operators are being encouraged to take action by some of their erstwhile leaders who have a history of using situations such as this to enhance their own visibility. Mike Parkhurst is the primary example. But, if history is any guide, there will be a number of new faces who will use the strike talk as an opportunity to gain some attention and notoriety. Other owner-operator leaders, notably Jim Johnson, President of the Owner-Operator Independent Drivers Assiciation, and Rita Bontz, President of the Mid-Atlantic Independent Truckers and Drivers Association, are counseling moderation but usually receive less press attention because their positions are not as sensational.

The events of the next few weeks are likely to range between two extremes. In the worst situation, Parkhurst's call for a strike or shutdowns centered at truck stops would cause interruptions of service of some significance on major truck corridors. While only owner-operators would likely be involved initially, the threat and occurance of violence could cause some company drivers to refuse to drive. This happened in the fuel shortage situations of both 1974 and 1979, and though both were of comparatively short duration, longer actions are conceivable.

In the best situation, sporadic, but isolated, strikes at truck stops will occur and there will be continued grumbling and talk about major shutdowns. That will diminish over time as individuals realize that the near term impacts are not serious.

Chances are that something closer to the best scenario will occur. The actual impact of the tax changes on the owner-operators will be small for the next two and one-half years and there is nothing like past fuel shortages that makes it physically difficult for them to work. Most of them have only a limited financial cushion. Good information, illustrating the delayed nature of the tax changes until the economy can generate a recovery, will be a good counter offensive. In a recovery, the trucking industry and the owner-operators will be among the first to experience improvements in their revenue and profit pictures. However, the situation is extremely volatile and radical leaders and some components of the trucking industry will continue to encourage strike activity in their own interest.

The Department of Transportation is taking steps to disseminate accurate information to the field through the press, moderate owner-operator representatives and truck stop operators. If necessary, the Department will follow a precedent of the 1979 shutdown and establish a "situation room", with a "hot-line" using an 800 number, to deal with emergencies and to counteract rumors and misinformation.

# Independent Truckers Association NEWS RELEASE

THE INDEPENDENT TRUCKERS ASSOCIATION
7753 DENSMORE AVENUE
VAN NUYS, CALIFORNIA 91406
(213) WE TRUCK

CONTACT: DAVID KOLMAN or
ROGER SOTELO

FOR RELEASE 11:00 A.M. JANUARY 7, 1983

## INDEPENDENT TRUCKERS ASSOCIATION ENDORSES NATIONWIDE JANUARY 31 SHUTDOWN

### Truck Taxes Equivalent to Ten Times Entire Trucking Industry's Entire 1982 Profits Will Force Widespread Truckers Shutdown

"The signing of the truck bankruptcy bill disguised as a gas tax hike, will trigger a nationwide truckers' shutdown by the overwhelming majority of the nation's independent, long-haul truckers."

So said Mike Parkhurst, the President of the nation's largest (and only national) association of independent truckers, the Independent Truckers Association, and the editor and publisher of the nation's largest-selling truckers' magazine, Overdrive.

"This shutdown was endorsed by the 97th Congress when it hastily wired together the so-called gas tax bill in a frantic rush to get home before Christmas, just about the time that the Congress voted itself a giant pay raise. But we have further endorsement of the shutdown, since President Reagan has officially shut down the government due to lack of money. Apparently, that is what is necessary for truckers. It is the only way the 98th Congress is going to sit up and pass immediate and meaningful legislation to kill the horrible truck taxes," said Parkhurst.

(Continued on next page.)

"It is unfortunate that Drew Lewis resigned, since he was one of the chief architects of this legislation that is now going to force truckers to halt. I wish there were some way to keep Drew Lewis on throughout the duration of the shutdown, since his feet should be held to the fire for creating what will soon be massive plant layoffs, shortages of food and disruption of supplies all over the nation. Elizabeth Dole seems like a gracious, intelligent lady. It is a shame and a crime that her first duty after confirmation of Secretary, will be to have me explain, once again, that truckers are going to repeat their shutdown efforts similar to the shutdowns we endorsed in January, 1973, January 31, 1974 and again in June, 1979. Those shutdowns were widely reported in the media. A repeat action is virtually inevitable."

"Part of the problem is that the federal government has conveniently swept under the rug many of the underlying reasons for the shutdowns, including the 55 mph speed limit, state licensing harassment and heavy taxes that amount to thousands of dollars a year per and inaccurate and physically damaging highway radar. The Congress conveniently hid those problems -- and more -- under the umbrella of a five cent a gallon gas tax hike. Yet that fuel tax hike alone amounts to twice the profit margins of the entire trucking industry for 1982. The other taxes, including excise taxes, rubber taxes and the Highway Use Tax, add approximately $300 to $500 per truck per month to the trucking industry burden. It's just too much. Perhaps President Reagan, once he knows about the details of the bill he just signed, will now remember his statement of two days ago when he accurately said "A recession is no time to raise taxes," said Parkhurst.

-30-

98TH CONGRESS
1ST SESSION

# H. R. 2649

To authorize a devolution of governmental responsibilities from the Federal Government to the States for certain Federal-aid highway programs upon the election of the State, provide the revenues necessary to finance those responsibilities, reduce the intrusiveness of Federal policy in the decisionmaking of the States, and for other purposes.

---

IN THE HOUSE OF REPRESENTATIVES

APRIL 20, 1983

Mr. MICHEL (for himself and Mr. LOTT) (by request) introduced the following bill; which was referred jointly to the Committees on Public Works and Transportation and Ways and Means

---

# A BILL

To authorize a devolution of governmental responsibilities from the Federal Government to the States for certain Federal-aid highway programs upon the election of the State, provide the revenues necessary to finance those responsibilities, reduce the intrusiveness of Federal policy in the decision-making of the States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Federalism Block Grant Highway Act of 1983".

**SEC. 101. FINDINGS.**

The Congress finds that—

(a) The benefits of certain Federal highway programs accrue predominantly to the residents of each State in which the funds are spent.

(b) The existing structure of such programs unnecessarily restricts State authority to establish priorities, respond to unique local circumstances, and implement the most efficient solutions to problems.

(c) Federal-aid highway programs which can be efficiently handled at the State level are the Federal-aid urban system program (23 U.S.C. 103); the Federal-aid secondary system program (23 U.S.C. 103); the portion of the Federal-aid bridge replacement and rehabilitation program which provides funds for bridges other than those on the Federal-aid primary system and bridges eligible for discretionary bridge funds (23 U.S.C. 144), as modified by section 105(f) of this Act; the portion of the highway safety program administered by the Federal Highway Administration (23 U.S.C. 402); the hazard elimination program (23 U.S.C. 152); and the rail-highway crossings program (23 U.S.C. 130).

(d) In order to provide an orderly transition to full State responsibility for these programs, it is appropriate that—

(1) during a transition period the States have the choice of receiving the funds for the programs identi-

fied by subsection (c) of this section under the existing programs or under a block grant;

(2) a Federalism Account be established in the Highway Trust Fund, into which will be transferred from the Highway Trust Fund, such amounts as may be required for block grants pursuant to section 103 of this Act;

(3) the funds transferred into the Federalism Account be distributed among the States in accordance with the formulas in current statutes;

(4) the States be able to use block grant payments for programs authorized under chapter 1, title 23, United States Code; and

(5) the States that elect block grant payments be required to pass through to large urbanized areas in accordance with established formulas that portion of a State's payment that the urbanized areas would have received under the current programs.

SEC. 102. ELECTION OF STATE TO PARTICIPATE.

(a) NOTICE TO THE SECRETARY.—

(1) FILING.—A State shall become entitled, as of fiscal year 1984 or any of the immediately succeeding four fiscal years, to block grants under this Act, by filing with the Secretary, within thirty days after the date of enactment of this Act with respect to fiscal

year 1984, or not less than ninety days prior to the beginning of that fiscal year with respect to each of the immediately succeeding four fiscal years, a notice that it elects to receive a block grant under section 104 of this Act in lieu of apportionments under the programs identified in section 101(c) of this Act.

(2) IRREVOCABILITY.—A State may not revoke a notice filed under this subsection.

(b) EFFECT OF NOTICE.—

(1) CONTINUING APPLICATION.—A notice that is filed under subsection (a) of this section is effective for the fiscal year with respect to which it is filed and for each immediately succeeding fiscal year that begins prior to fiscal year 1989. For each such fiscal year the filing State shall not be eligible for assistance, other than that authorized by this Act, under the programs identified in section 101(c) of this Act.

(2) CONFORMING AMENDMENT TO PROGRAM STATUTE.—The pertinent portion of each statute governing a program identified by section 101(c) is deemed to contain the following provision of law:

A State that has elected a block grant in lieu of apportionments under this program by a notice filed under section 102 of the Federalism Block Grant Highway Act of 1983 shall not be eligible for assistance under this program for the fiscal year to which that election applies, or for any immediately succeeding fiscal year that begins prior to fiscal year 1989.

**SEC. 103. THE FEDERALISM ACCOUNT.**

Section 9503 of the Internal Revenue Code of 1954 (relating to the Highway Trust Fund) is amended by adding at the end thereof the following new subsection:

"(f) ESTABLISHMENT OF FEDERALISM ACCOUNT.—

"(1) IN GENERAL.—There is established in the Highway Trust Fund a separate account to be known as the 'Federalism Account' consisting of such amounts as may be transferred to the 'Federalism Account' as provided in this subsection.

"(2) TRANSFER TO FEDERALISM ACCOUNT.—The Secretary shall transfer to the 'Federalism Account' such amounts as may be required to make payments for block grants under section 104 of the Federalism Block Grant Highway Act of 1983 from the amounts appropriated t the Highway Trust Fund under subsection (b).

"(3) EXPENDITURES FROM ACCOUNT.—Amounts in the 'Federalism Account' shall be available for making payments to eligible States in accordance with section 104 of the Federalism Block Grant Highway Act of 1983.

"(4) INTEREST.—Interest on obligations held in the 'Federalism Account' shall be credited to and be a part of the Highway Trust Fund other than the 'Federalism Account' and the Mass Transit Account.".

**SEC. 104. HIGHWAY BLOCK GRANT.**

(a)(1) When a State makes an election under section 102 of this Act, the State shall become entitled for each fiscal year to which that election applies, to an amount equal to the amount to which it would otherwise have been apportioned under the programs identified in section 101(c) of this Act.

(2) On the first day of each fiscal year the Secretary shall apportion to each of the participating States an amount equal to the amount to which it would otherwise have been apportioned under the programs idencified in section 101(c) of this Act. A State that has elected to receive a block grant shall be paid an amount not to exceed 20 per centum of the apportionments it would have received under the programs identified in section 101(c) of this Act in the fiscal year for which such apportionments would have been made, an amount not to exceed 60 per centum of such apportionments in the next succeeding fiscal year and the balance of such apportionments in the next succeeding fiscal year. Payments shall be made in accordance with the provision of section 203 of the Intergovernmental Cooperation Act (42 U.S.C. 4213).

(b) Payments of funds to a State in lieu of urban system funds that are attributable to urbanized areas of two hundred thousand population or more shall be made available by the State for expenditure in such urbanized areas in accordance with a fair and equitable formula developed by the State. Such formula shall provide for fair and equitable treatment of incorporated municipalities of two hundred thousand or more population. Whenever such a formula has not been developed and approved for a State, the funds which are attributable to urbanized areas having a population of two hundred thousand or more shall be allocated among such urbanized areas within such State in the ratio that the population within each such urbanized area bears to the population of all such urbanized areas, or parts thereof within such State. In the expenditure of funds allocated under the preceding sentence, fair and equitable treatment shall be accorded incorporated municipalities of two hundred thousand or more population. Funds allocated to an urbanized area under the provisions of this section may, upon approval of the Governor and upon approval of the appropriate local officials of the area, be transferred to the allocation of another such area in the State or to the State for use in any urban area.

(c) Each State and local government that receives a payment under this section shall expend that payment for projects permitted by chapter 1 of title 23, United States Code.

(d) Each State shall provide written assurance that the State government—

(1) will make payments to local governments as required by this section;

(2) will expend the funds (including interest) made available under this section in accordance with the requirements of this section and during a reasonable period;

(3) will appropriate and expend the payments received in accordance with the laws and procedures applicable to the expenditure of its own revenues;

(4) will provide for public participation in the intended-use report required under subsection (e);

(5) will comply with the requirements of subsection (g);

(6) will establish fiscal procedures, provide for audits of its financial statements and compliance with this section, and provide for public inspection of such audit reports;

(7) will provide to the Secretary and the Comptroller General, upon reasonable notice, access to and the right to inspect such books, documents, papers, and records as the Secretary or the Comptroller General

reasonably require to review compliance and operations under this section; and

(8) will consult with local governments on all major policy decisions and program choices on the use of block grant funds.

(e) Each State desiring to receive a payment under this section shall prepare, in such form as the State finds appropriate, a report of the intended use of the payments provided under this section. The State shall promptly reflect any substantial changes in its intended use of funds in such revisions to the report as may be necessary. Such intended-use report shall contain a description of (1) the goals and objectives of the program it will conduct with the payments under this section, (2) the activities it will support to attain those goals and objectives, (3) the geographic area or areas of the State in which such activities will be carried out, and (4) the criteria for and administrative methods of disbursing funds received under this title. The State shall make the report available for public inspection within the State. Copies shall also be provided, upon request, to any interested public agency.

(f) Each State shall, at least biennially, conduct a financial and compliance audit of its expenditures from payments received under this section. Such State audits shall be conducted by an entity independent of any agency administering activities or services carried out under this title and, to the extent practicable, in accordance with the Comptroller General's standards for auditing governmental organizations, programs, activities, and functions. The State shall make copies of the audit required by this subsection available for public inspection within the State. Copies shall also be provided, upon request, to any interested public agency.

(g)(1) For the purpose of applying the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975, on the basis of handicap under section 504 of the Rehabilitation Act of 1973, on the basis of sex under title IX of the Education Amendments of 1972, or on the basis of race, color, or national origin under title VI of the Civil Rights Act of 1964, programs and activities that receive Federal financial assistance under this section are deemed to be programs and activities receiving Federal financial assistance.

(2) No person shall on the ground of sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity that receives Federal financial assistance under this section: *Provided, however,* That this section shall not be read as prohibiting any conduct or activities permitted under title IX of the Education Amendments of 1972.

(3) Whenever the Secretary finds that a State, or an entity that has received a payment from an allotment to a

State under this section, has failed to comply with the provision of law referred to in subsection (g)(1) of this section, with subsection (g)(2) of this section, or with an applicable regulation (including one prescribed to carry out subsection (g)(2)), the Secretary shall notify the chief executive officer of the State and shall request that officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the chief executive officer fails or refuses to secure compliance, the Secretary may—

(A) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

(B) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, or section 504 of the Rehabilitation Act of 1973, as may be applicable, or

(C) take such other action as may be provided by law.

(4) When a matter is referred to the Attorney General pursuant to subsection (g)(3)(A) of this section, or whenever the Attorney General has reason to believe that a State or an entity is engaged in a pattern or practice in violation of a provision of law referred to in subsection (g)(1) or in violation of subsection (g)(2), the Attorney General may bring a civil action in any appropriate district court of the United States

for such relief as may be appropriate, including injunctive relief.

(h) Each State shall prepare reports on its activities under this section. Reports shall be in such form, contain such information, and be of such frequency (but not less often than every year) as the State finds necessary to provide an accurate description of those activities to secure a record of the purposes for which funds were spent, and to determine the extent to which funds were spent consistently with the report required by subsection (e) of this section. The State shall make the reports required by this section available for public inspection within the State. Copies shall also be provided, upon request, to any interested public agency.

(i) If the Secretary determines that a State of local government has failed to comply substantially with any provision of this section, the Secretary shall notify the State that, if it fails to take corrective action within sixty days from the date of receipt of the notification, the Secretary will withhold further payments (or direct the State to withhold further payments to the local government) for the remainder of the fiscal year and for any subsequent fiscal year until the Secretary is satisfied that appropriate corrective action has been taken; or require the State (or direct the State to require a local government) to repay all or a portion of the payments not spent in accordance with the provisions of this section. Payments repaid shall be transferred into the Highway Trust Fund other than the "Federalism Account" and the "Mass Transit Account".

(j) Terms used in this Act and not otherwise defined have the same meanings as if they were used in title 23, United States Code.

**SEC. 105. CONFORMING AMENDMENTS.**

(a) The authorizations in section 202(3) of the Highway Safety Act of 1978 for carrying out section 402 of title 23, United States Code (relating to highway safety programs) by the Federal Highway Administration are amended by striking "and September 30, 1986." and inserting in lieu thereof "September 30, 1986, September 30, 1987, and September 30, 1988.".

(b) The authorizations in section 105(a)(1) of the Highway Improvement Act of 1982 for the Federal-aid secondary system are amended by striking "and September 30, 1986." and inserting in lieu thereof "September 30, 1986, September 30, 1987, and September 30, 1988.".

(c) The authorizations in section 105(a)(2) of the Highway Improvement Act of 1982 for the Federal-aid urban system are amended by striking "and September 30, 1986." and inserting in lieu thereof "September 30, 1986, September 30, 1987, and September 30, 1988.".

(d) The authorizations in section 202(2) of the Highway Safety Act of 1982 for projects for elimination of hazards are amended by striking "and September 30, 1986." and inserting in lieu thereof "September 30, 1986, September 30, 1987, and September 30, 1988.".

(e) The authorizations in section 203(b) of the Highway Safety Act of 1973 for rail-highway crossings projects are amended by striking "and September 30, 1986." and inserting in lieu thereof "September 30, 1986, September 30, 1987, and September 30, 1988.".

(f) Section 202(1) of the Highway Safety Act of 1982 is amended as follows:

"(1) For bridge replacement and rehabilitation under section 144 of title 23, United States Code, out of the Highway Trust Fund, for primary bridges and bridges eligible for bridge discretionary funds $1,140,000,000 for the fiscal year ending September 30, 1984, $1,240,000,000 for the fiscal year ending September 30, 1985, and $1,540,000,000 for the fiscal year ending September 30, 1986, and for other bridges $510,000,000 per fiscal year for each of the fiscal years ending September 30, 1984, September 30, 1985, September 30, 1986, September 30, 1987, and September 30, 1988, provided that set-asides for the bridge discretionary fund shall be from the authorizations for primary bridges and bridges eligible for bridge discretionary funds.".

(g) Section 104(a) of the Highway Improvement Act of 1982 is amended by striking (1) "$12,750,000,000" and inserting in lieu thereof "$12,600,000,000 less amounts made available to States under the highway block grant"; (2) "$13,550,000,000" and inserting in lieu thereof "$13,450,000,000 less amounts made availble to States under the highway block grant"; and (3) "$14,450,000,000" and inserting in lieu thereof "$13,850,000,000 less amounts made available to States under the highway block grant.".

(h) Notwithstanding any other provision of law, if any State in any fiscal year accepts a highway block grant as authorized by section 104 of this Act, any obligation limitation enacted for Federal-aid highways for such fiscal year, including the limitation for such State, shall be adjusted downward to reflect such State's acceptance.

**SEC. 106. EFFECTIVL DATE.**

The effective date of this title shall be the date of enactment or October 1, 1983, whichever is earlier.

○