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

(SEE H.R. 2950)

October 22, 1991 (SENT)
(House Rules) and SENT to House 10/23/91

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 3566 - Intermodal Surface Transportation Infrastructure Act of 1991
(Mineta (D) California and 3 others)

The Administration steadfastly supports improvements and reforms to the Federal-aid highway, transit, and highway safety programs. However, the Administration strongly opposes H.R. 3566 in its current form.

The President's senior advisors would recommend a veto of this legislation in its current form because of serious concerns including the following:

-- H.R. 3566 extends half of last year's gas tax increase for an additional four years. Last year's increase was intended to be temporary. Its extension would largely fund special interest projects and other programs that should be reduced or eliminated.

-- The authorization levels in the bill are excessive. The Administration proposed a 39 percent increase in highway funding over five years without extension of the 2 1/2 cents tax. The highway and transit levels in the bill would be very difficult to accommodate in future-year appropriations bills, and, if they were met, funding for other important Federal programs would be imperiled.

-- The language in section 104 that requires CBO estimates to be used for purposes of pay-as-you-go scoring violates last year's budget agreement.

-- H.R. 3566 earmarks $1.2 billion for 27 projects on 20 priority corridors and $3.8 billion for over 460 other highway demonstration projects. These 460 projects could ultimately cost over $23 billion. Many of them are not the highest State priorities and would not survive the normal process of selection on their merits. Completing the 20 priority corridors identified in the bill to expressway standards could cost more than an additional $50 billion.

-- The bill not only reduces, but also allows temporary waivers of current State and local matching requirements for certain highway and transit programs. These reductions and waivers would substantially reduce incentives for increased State and local investment in transportation infrastructure at a time when all levels of government and the private sector need to invest more. The Administration's proposal to raise State and local matching requirements for local and regional transportation needs permits greater use of Federal funds to meet national needs.

-- The bill does not adequately fund the National Highway System (NHS). It provides $37.7 billion over six years instead of the Administration's requested $43.5 billion over five years. This level is below the amount needed to ensure that the NHS can meet America's growing interstate commerce and international competitiveness needs.

-- The bill contains mandatory allocations of highway obligation authority to urban areas. These allocations deny States the necessary flexibility to target spending to their most pressing transportation needs.

-- The bill increases annual mass transit operating subsidies from $800 million in FY 1992 to almost $2.3 billion by FY 1997. An increasing share of Federal funds will be used to cover mass transit operating deficits rather than focusing Federal investment on infrastructure needs.

-- More than three quarters of the mass transit new start projects earmarked by the bill either fail to meet basic cost-effectiveness criteria or lack sufficient information for a meaningful evaluation. Furthermore, the total of the earmarks for new transit starts exceeds the $4.9 billion provided in the bill for this purpose.

-- The bill authorizes $13.7 billion in mass transit funding from the General Fund rather than from the Highway Trust Fund. All mass transit funding, as well as highway funding, can and should be derived from the Trust Fund.

-- The bill fails to eliminate State regulation of rates, routes, and services of interstate motor carriers, thereby retaining an unnecessary regulatory regime for the trucking industry that inhibits productivity.

-- The bill continues current overly prescriptive levels of Federal oversight of highway project development and construction. The Administration has proposed streamlined approval for certain projects to replace the current project-by-project reviews.

-- The earmarking of research and development activities curtails normal program development and undercuts the competitive process and opportunities for public/private partnerships.

The Administration will work with conferees on H.R. 3566 and S. 1204 to incorporate reforms set forth in the Administration's surface transportation reauthorization proposal (H.R. 1351).

<u>Scoring for the Purpose of Pay-As-You-Go and Allocation of Trust Fund Revenues</u>

As noted above, section 104 of H.R. 3566 contains a directed scorekeeping provision that violates the Omnibus Budget Reconciliation Act of 1990.

The bill would increase the allocation of revenues to the Highway Trust Fund to more than the level of net revenues collected by the Treasury. Although the allocation made by this provision is consistent with past practice, it is appropriate to consider revising the allocation to make it more consistent with the amount actually collected. If the past practice is not changed in connection with a simple tax extension, Congress should seriously consider changing the allocation method to reflect more accurately the actual revenue effects associated with any possible future increase in dedicated revenues for trust funds.

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