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

June 11, 1991 (SENT)
(Senate)

STATEMENT OF ADMINISTRATION POLICY

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

S. 1204 - Surface Transportation Efficiency Act of 1991
(Burdick (D) North Dakota)

The Administration supports improvements and reforms to the Federal-aid Highway System and the Federal transit program. However, the Administration has serious concerns regarding certain provisions of the Senate highway bill (S. 1204) and the Senate transit bill (S. 1194). (We understand that S. 1194 will be added to S. 1204 on the Senate floor as Title IV). Unless these concerns are addressed, the President's senior advisors would recommend that the President veto the bill.

The Administration's objections are delineated below and improvements will be sought prior to passage. As reported out of Committee S. 1204 and S. 1194:

-- Fail to establish and fund a National Highway System that includes the designation of priority highways of national significance, to be improved and rehabilitated with targeted Federal funds.

-- Do not require a higher State and local matching share for highway and transit programs. All levels of government -- Federal, State, and local -- must increase investment in the Nation's transportation infrastructure.

-- Provide authorization levels in excess of those proposed by the Administration. S. 1204 currently would authorize $5.2 billion more for highways than the Administration's proposal over a five year period. S. 1194 would authorize $4.7 billion more for mass transit than the Administration's proposal over the same period. These increases in spending, if enacted and made fully available by Congress, would require adjustments in other categories of spending to stay within budgetary limits.

-- Fail to reduce mass transit operating subsidies. Studies show that these subsidies often undesirably inflate the transit wage structure and extend inefficient transit service to low-use suburban areas.

-- Do not derive a sufficiently high level of mass transit funding from the mass transit account of the Highway Trust Fund. As a result, uncommitted balances in this account would remain high, and U.S. taxpayer subsidies of local transit would continue.

-- Fail to bring financial discipline to the mass transit "new starts" program. In particular, the State and local matching share has not been increased from the existing 25 percent ratio, and funds are authorized above the level enacted by Congress in recent years. Furthermore, language has been added which would allow financing commitments for major projects, such as new rail and bus fixed guideway systems, in excess of the authorization levels of the bill.

-- Force States to allocate 75 percent of their Surface Transportation Program funds based on population in urban and rural areas and provide for a possible bypass of State government by allowing the Department of Transportation to deal directly with metropolitan areas of over 1 million population. This would severely limit State flexibility and jeopardize improvements to statewide transportation and planning.

-- Provide Federal financing ($750 million) to develop prototypes and full-production systems for magnetic levitation technology. The Administration has proposed a research and development program to spur private sector and/or State interest in magnetic levitation transportation.

-- Unconstitutionally limit the removal authority of the President by appointing a Director of the newly created Bureau of Transportation Statistics who can be dismissed only for cause.

The Administration supports several features of S. 1204 and of S. 1194 which are similar to the Administration's proposal. These include program consolidation, enhanced State and local autonomy over highway and transit projects, greater opportunities for private sector involvement, emphasis on environmental concerns and congestion relief, planning and management systems, and the transit planning and research program to more effectively establish investment priorities.

<u>Pay-As-You-Go-Scoring</u>

S. 1204 would establish a new National Recreational Trails Trust Fund Program in the Interior Department for grants to States to develop and maintain recreational trails. The program would be funded by transfers from the Highway Trust Fund and by repealing fuel tax refunds to commercial recreational off-highway taxpayers. Initially, 0.3 percent of all Highway Trust Fund revenues would be diverted to this program regardless of source. Up to $56 million would be transferred from the Highway Trust Fund in subsequent years. The Administration does not support an arbitrary diversion in the initial year of Highway Trust Fund monies that may include non-recreation tax receipts.

The bill provides for an automatic allocation of funds to States which in the Administration's view is mandatory spending -- hence, an increase in direct spending subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act (OBRA) of 1990. These direct spending increases are not fully offset by the repeal of the fuel tax refunds or by other means. A budget point of order applies in both the House and Senate against any bill that is not fully offset under CBO scoring. If, contrary to the Administration's recommendation, the Senate waives any such point of order that applies against S. 1204, the effects of the enactment of this legislation would be included in a look back pay-as-you-go sequester report at the end of the Congressional session.

OMB's preliminary scoring of this program is presented in the table below. Final scoring of this legislation may deviate from these estimates. If S. 1204 were enacted, final OMB scoring estimates would be published within five days of enactment, as required by OBRA. The cumulative effects of all enacted legislation on direct spending will be issued in monthly reports transmitted to Congress.

<u>Estimates for Pay-As-You-Go</u>

<u>in millions of dollars</u>

	1992	1993	1994	1995	Total
Outlays	+30	+50	+54	+56	+190
Receipts	-1	-1	-1	-1	-4

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