



THE PRESIDENT HAS SEEN.  
THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

November 11, 1977

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

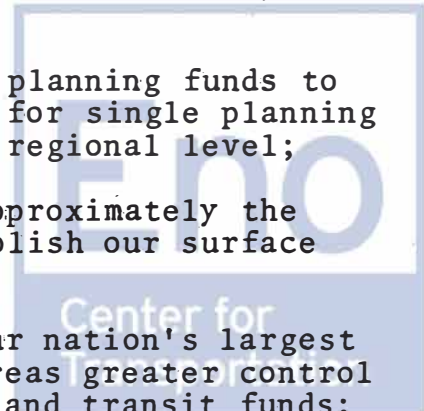
SUBJECT: Proposed Legislative Initiative

Today, I sent a detailed proposal for the reform of our surface transportation assistance programs to the Office of Management and Budget for their coordination and review. Because of their importance to the energy program and to the rebuilding of our cities, these reforms should have a high priority. These proposals are based on our own analysis, but, more importantly, I believe they reflect the concerns of the many State and local officials with whom we have met.

The basic goals of the proposal are:

- (1) to give greater decision and planning authority to State and local agencies in the use of transportation funds;
- (2) to conserve energy by allowing localities to shift their funds, without penalty, from construction of Interstates to more energy-saving forms of transportation such as the building of exclusive lanes for car pools, the acquisition of new buses, the construction of new subways where appropriate, or the construction of new roads needed to carry increased coal production;
- (3) to combine transit and highway planning funds to eliminate red tape and provide for single planning review and coordination at the regional level;
- (4) to limit Federal spending to approximately the current levels and still accomplish our surface transit objectives;
- (5) to earmark special funds for our nation's largest 25 urban areas, giving these areas greater control over the management of highway and transit funds; and to require that these funds be spent in such a way as to assist our other programs to improve the

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environment, stop urban blight, improve inner-city housing, and conserve energy;

- (6) to give special attention to the needs of rural communities;
- (7) to establish a special program to deal with the critical problem of bridge repair.

We must submit surface transportation legislation to the Congress in January. Authorizations for all major highway programs and for transit construction grants will expire, or new authorizations will be required, by the end of FY '78. If the Administration does not act, the Congress certainly will. If the Congress acts without strong leadership from this Administration, we will end up with a haphazard and imbalanced set of authorizations for the various programs. I feel that the proposal I am suggesting to you will give Congress the guidance to enact legislation providing for a surface transportation program which is responsive to the nation's needs and at the same time is fiscally responsible.

These are the main ingredients of the proposal I am sending you today. I do want to discuss, however, another area that is not covered in this proposal, but which I think should be supported in other legislation. An efficient transportation system is central to achieving our energy conservation goals. To bring about the reforms I am recommending in our highway and transit programs and to permit sensible long range planning, I believe that these programs should have an assured source of financing.

The proposal accepts minimum growth in the DOT budget because of your commitment to a balanced budget in 1981. Therefore, I propose the establishment of a public transportation trust fund for transportation programs that would relieve the pressure on general revenues with user-related taxes on petroleum. A fund based on energy taxes would provide a firm financial basis for carrying out these transportation programs, and the revenues would offset the expenditures in order to remain within budget targets.

I must emphasize the importance of an energy-based tax. I hope that you will support provisions in the energy legislation which would allocate some energy tax revenue to transportation through a mechanism similar to the "trust fund" now in the Senate bill. If such a fund could be established, we can proceed with a transportation program that will have substantial impact on revitalizing the urban areas, will save energy by providing sensible alternatives to individual automobile travel, and make available energy related block grants to States for

necessary off-system energy related transportation such as local coal roads, and bridges.

In addition to transmitting this draft legislation to the Office of Management and Budget, I have sent copies to the Office of Domestic Affairs and Policy and the Office of Intergovernmental Relations for their information.

