

8:30 AM

THE WHITE HOUSE

WASHINGTON

October 9, 1978

C
/

MEETING WITH SURFACE TRANSPORTATION CONFEREES

Tuesday, October 10, 1978

8:30 a.m. (20 minutes)

Cabinet Room

From: Frank Moore *by Les Francis*

I. PURPOSE

To discuss the Surface Transportation Bill Conference.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: The Conference on the Surface Transportation Bill met on Friday and resumes Tuesday morning. The Senate bill's funding level is \$51.1 billion (extended over four years). The House bill is for four years and was reported to the floor at nearly \$67 billion. It was reduced to \$61.1 billion with the passage of an amendment introduced by Jim Howard. A further effort to cut highway spending through a trust fund cap introduced by Bob Giaimo failed -- it received only 110 votes.

-- Going into the Conference last week, Howard seemed to be looking at a figure of \$56 billion and the Senate Conferees seemed to be at about \$55 billion. But following the House's sustaining of the public works veto, Howard expressed interest in settling at about \$53 billion.

-- It is now possible that the House Conferees can be persuaded to accept a funding level even closer to the Senate level. I think it is worth a try.

Note: Congressman Jim Howard has indicated often in the past few weeks that you've never told him what you expect in the bill. He professes to be willing to help if you ask. Howard will be invited to the Oval Office for a brief meeting before you go to the Cabinet Room to meet with the others. I suggest you make the following points with Howard:

1. I know that this bill means a great deal to you and I appreciate the help you've given me; especially with the passage of your amendment in the House.

Center for
Transportation

2. Jim, I want a bill and I need your help. Let's see if we can come out with a bill that meets our country's highway and transit needs and one which, at the same time, will help us in the fight against inflation.

Participants: House and Senate Conferees (See Attached)
Secretary Brock Adams
Jim McIntyre
Stu Eizenstat
Frank Moore

Press Plan: White House Photo only.

III. TALKING POINTS

1. All of you have been involved with the highway and transit authorization bills for many months. I am very hopeful that as you meet in conference you'll produce a good bill which I'll be able to sign late this week or early next week.
2. I am determined that we win the fight against inflation. It is vital that this bill be fiscally prudent. As you know, my proposal was for \$48.3 billion. The House bill is at \$61.1 billion; the Senate is at \$51.1 billion. I am prepared to move to a range slightly above that of the Senate bill, but I would prefer not to.
3. I do not believe it would be wise for me to accept a figure much above that. We are already experiencing extreme inflationary pressures in the highway industry. This is an industry working at 84% capacity with construction costs escalating at an annual rate of more than 13%. Authorizing more than the Senate bill will not produce more work, it will merely produce the same amount of work and product at higher prices.
4. I also am concerned about the obligation limit for Fiscal Year 1979. If you feel a limitation is necessary, I hope it will not be above \$8.2 billion.

(Note For Your Information: The Administration proposed \$7.8 billion and the appropriations bill you signed contains \$8.0 billion. The Senate is at \$8.0 billion and the House is at \$10.9 billion).

5. There are also some policy issues which I'll ask Brock to mention. Two on the top of the list are:

- the one-house veto; and
- the Buy American provision.

Neither is acceptable.

Secretary Adams will discuss a few other policy problems including:

- the proliferation of funding categories (House: 68; Senate: 26; Administration recommended 18).
- the Federal matching share. We recommended 80%; the Senate is at 70%; while the House is at 90% for some programs.

6. Following Secretary Adams discussion of policy issues, I suggest you call on Congressman Jim Howard as Conference Chairman and then Senator Randolph who heads the Senate Conferees.

7. I suggest you conclude the meeting with a summary of your concerns:

- That the Conferees settle on funding levels at or only slightly above the Senate levels. (OMB, DOT and DPS have said that it should be no higher than \$52.0-52.5 billion. I suggest you not mention either number, but that you instead send them away with the feeling that \$53.0 billion is still too high.)
- That the Fiscal Year 1979 limitation obligation should not go above \$8.2 billion.
- That the policy issues including Buy-American and one-house veto be resolved.

Eno

Center for
Transportation

CONFEREES ATTENDING MEETING

House

Administration Support

Jim Howard	Conference Chairman	93.5%
Bizz Johnson	Chairman, Public Works	78.6%
Bill Harsha	Ranking Republican on Public Works	28.6% ▲
Bud Shuster	Ranking Republican on Surface Transportation Subcommittee	10.6% ▲

Senate

Jennings Randolph	Chairman, Environment and Public Works	68.6%
Lloyd Bentsen	Member, Environment and Public Works	57.1%
Quentin Burdick	Member, Environment and Public Works	53.0%
Daniel Moynihan	Member, Environment and Public Works	81.6%
Robert Stafford	Ranking Republican on Environment and Public Works	75.5%
John Chafee	Republican on Environment and Public Works	76.1%
Harrison Williams	Member, Banking, Housing and Urban Affairs	86.0%
Howard Cannon	Member, Subcommittee on Surface Transportation of Commerce, Science and Transportation Committee	60.9%



THE WHITE HOUSE
WASHINGTON

October 9, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Sh*

SUBJECT: The Highway Transit Bill

In the attached memos Brock Adams and Jim McIntyre recommend two versions of our Administration "bottom line" on the highway transit bill. Both agree that we should accept total spending as high as \$52.5 billion over four years -- \$4.2 billion above our initial recommendation. OMB's \$52.0 billion recommendation is a tactical decision based on the presumption that the conferees would then go up to \$52.5 billion. OMB also favors attaching a number of other preconditions to our bottom line, including a lower 1979 obligations ceiling, elimination of many funding categories, and dropping of the one-House veto of DOT regulations.

I recommend that you agree to the \$52.5 billion bottom line, and indicate that your final decision on whether to sign a bill at this level will depend on how well the bill meets our other criteria, especially regarding the one-House veto. However, we cannot insist, as OMB suggests, that the conferees take every single one of the policy recommendations we made as a precondition to your approval. Rather, we should emphasize the importance of them, fight for as many as we can get, and indicate that the President's final judgment on the bill will depend both on the funding level and on progress toward our proposed reforms.

The reasons for this recommendation are:

- 1) We have stated publicly that we supported the levels in the Senate bill (\$51.1 billion) and that we would consider signing a bill somewhere between the Senate level and the level the House would have been at had amendments by Glamo and Duncan passed. The \$52.5 billion figure is clearly within range. Indeed even \$53 billion is reasonable given the Administration's prior commitment (with OMB concurrence) to a \$51.1 billion level.

-2-

2) We are now arguing over relatively small (by highway transit standards) sums on an annual basis. The difference between the Senate level of \$51.1 billion and \$52.5 billion is only \$350 million per year. I question whether sums of this magnitude are worth the political and programmatic disruption that would result from a veto.

3) I disagree with OMB that we could sustain a veto of a bill in the \$52 - \$53 billion range. Large majorities of both the House and Senate I believe would see these numbers as both responsible and lean. Many on the Hill believe our original \$48.3 billion recommendation was artificially low. The political and financial importance of the highway transit construction industry in an election year is far greater than that of the water lobby we just beat.

4) A veto is difficult on programmatic grounds even if a pocket veto could avoid override possibilities since it would halt new highway obligations for over one-third of the fiscal year.

ok Secretary Adams has asked that you meet with the key conferees on Monday evening to convey our views on the bill. I believe that such a meeting is essential, as was the meeting with the conferees on the veterans pension bill, and could set the stage for an acceptable compromise when the conferees meet on Tuesday. If the conferees go significantly over your bottom line, the meeting will have set the stage for our eventual veto. I recommend you approve of such a meeting either late Monday or first thing Tuesday.

Eno

Center for
Transportation



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

October 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM MCINTYRE *Jim*
SUBJECT: Brock Adams' Memorandum on the Surface Transportation
Bill Conference

Brock Adams has sent you the attached memorandum seeking guidance on our bottom line position on the highway-transit authorization bill (Tab A). As you know, this bill is the biggest threat to the budget currently being considered by the Congress. On the other hand, the failure to obtain a bill would cause a halt to new obligations for highway construction in some states and programs and would eliminate the chance to achieve at least some of the reforms proposed in the Administration's proposals.

You have indicated that you would be willing to sign a bill which contained total authorizations at the Senate level of \$51.1 billion. That compares to a comparable figure in our proposal of \$48.3 billion. (The bills are compared at Tab B.) Brock proposes that we indicate a willingness to sign a bill at a level of \$52.5 billion, or \$4.2 billion over our original request.

I must tell you that these numbers cause me a great deal of concern. Our original proposal, while lean, provided the most funds for highway construction in history. The \$4.2 billion increase over your budget reflected in a compromise at \$52.5 billion is equal to amounts which led to the nuclear carrier and water projects vetoes combined. In addition, the inflationary effect of the highway/transit legislation is far more direct than that of the public works bill. The excess funds would be spent in a far shorter period of time and the demand which these funds will generate will continue the extreme inflationary pressures in the highway construction industry (up 17% in the first quarter).

Also, given our tight budget projections for the coming years, it is inevitable that the increased authorizations for highway and transit will prevent us from including other higher priority items in the 1980 and 1981 budgets. Although construction funds usually result in delayed outlays, our estimates indicate that most of the likely add-ons to the Senate level will be converted to outlays within the four year period (Tab C).

Center for
Transportation

Nevertheless, our leverage to obtain a figure significantly below the \$52.5 billion number suggested by Brock is very limited. The House conferees will find it very difficult to accept the Adams figure and would see acceptance of the Senate numbers as a total capitulation. While I believe it would be possible to sustain a veto of a bill which exceeds the Senate authorization levels, it would take a herculean effort given the convergence of transit-oriented liberals and highway-oriented conservatives on this bill. Unless a special piece of legislation was passed before Congress adjourned, new highway obligations in some states and programs would be held up for over one-third of the fiscal year.

In light of the above concerns, I have told Brock and Stu that I would be reluctantly willing to recommend that you sign a bill at an overall level of \$52.0 billion. We would then attempt to reduce the actual outlays by holding down, in the outyears, the programs subject to appropriations. I also indicated to them that, given the tendency for the Congress to creep above any bottom line we give them, we would have to give the conference a \$52.0 billion figure to keep the final result no higher than \$52.5 billion. In any event, these would have to be honest numbers, as calculated by us, and not a sleight of hand to cover the real costs.

This recommendation is contingent on two other parts of the legislation being acceptable. First, the obligation limit for FY 1979 would have to be set at an acceptable level. Second, certain objectionable provisions would have to be removed from the bill and many of our reforms included.

An important control over expenditures in the highway trust fund programs is the annually imposed limitation on new obligations. Because of carry-over authority from prior years it is possible that obligations in one year could greatly exceed the new authorizations for that year. For the past two years the appropriations committees have limited actual expenditures by setting obligation limits. We had proposed a limitation for FY 1979 or \$7.8 billion. The appropriations bill which you signed contains an \$8.0 billion limitation. The Senate accepts the limitation now in law while the House bill seeks to insert its own limitation of \$10.9 billion.

We should take the position that an obligation limitation is unnecessary in the authorization bill. If the conferees insist on including a limitation, then it should be set no higher than \$8.2 billion, which is where we would like the FY 1979 authorization set.

The House version of the bill also contains many serious policy problems which will need to be resolved in the conference. The changes which we believe should be insisted upon are as follows:

Center for
Transportation

- . Avoid proliferation of funding categories (68 categories in the House version compared with 18 categories in our bill and 26 categories in the Senate bill). We should insist on no more than 30-35 total funding categories. Among the prime candidates for deletion include:
 - Safer Off-System Roads.....\$300 million
 - Coal Rail-Highway Crossings.....\$ 50 million
 - 18 Cities Rail-Highway Crossings.....\$ 90 million
 - Bypass Highway.....\$ 50 million
 - Access Highway Demonstration.....\$ 50 million
 - Intercity Bus Subsidies ("Ambus").....\$100 million
- . Delete a strict "Buy American" provision which would require that all steel and other materials used in highway and transit projects be made domestically. Such a provision would only aggravate inflation in highway construction.
- . Delete a provision which would require DOT to submit rules and regulations for congressional review (a one House veto provision).
- . Delete provisions which would weaken highway beauty laws to such an extent that the program would have little value.
- . Delete a provision to provide 150 more miles of Appalachian corridor highways.
- . Add our provision to ensure that Interstate funds are focused on identified "essential gaps" (the Senate has incorporated this provision).
- . Adopt the Senate's provisions on the structure of transit funding, with a \$200 million set-aside within the Senate totals for urban initiative projects (the Senate bill does not now provide for urban initiative projects).
- . Avoid raising the Federal matching share for non-interstate highway programs beyond our proposed 80% uniform highway/transit match. The Senate version retains the non-interstate highway match at 70% while the House version increases the match to 90% for bridge construction and other selected highway programs.

(Although OMB prefers the 70% matching share in the Senate bill, support for a 70% match would represent a departure from the Administration's pending proposal.)

I recommend that we indicate to the conference committee the Administration position on overall funding level, the obligation limitation, and the substantive policy issues, and insist that each is a requirement for approval of the bill.

Decision

The bottom-line position on overall funding levels for the highway/transit bill should be:

- _____ \$51.1 billion (the Senate level)
- _____ \$52.0 billion (OMB recommends, assuming Congressional drift no higher than \$52.5 billion)
- _____ \$52.5 billion (DOT memo recommends)

The authorization bill should not contain an obligation limitation (thereby retaining the one already in law) or, if the conferees insist on setting a limit, that limit should be set at \$8.2 billion for FY 1979.

_____ ✓ Agree

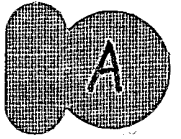
_____ Disagree

The policy issues listed earlier in this memorandum should be insisted upon as a condition for signing the legislation.

_____ ✓ Agree

_____ Disagree







THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

October 6, 1978

MEMORANDUM TO THE PRESIDENT

ATTENTION: Rick Hutcheson

FROM: Brock Adams

SUBJECT: Surface Transportation Conference

The Surface Transportation bill is now in conference after months of negotiations and confrontation with the Congress. I am very hopeful that an agreement can be arrived at that will permit quick action and allow you to sign an acceptable bill. Jim McIntyre, Stu Eisenstat and I met this evening and are in agreement that we should follow this course. The critical issue is the level of funding that you would be willing to accept.

Some background on the bill is helpful in putting this proposal in perspective. The Administration requested a four-year package aggregating \$47.1 billion for highways and public transportation, with substantial reforms to improve program administration. \$1.2 billion in regular spending for roads on public lands has also been carried by the Congress in this bill.

The Senate reported out an excellent bill, embodying most of our proposed reforms and sticking close to the budget targets. Their funding level, extrapolating their highway authorizations over four years, is \$51.1 billion.

Our main problem throughout has been with the House, whose Surface Transportation Committee is deeply dedicated to the highway program and has a growing interest in mass transit as well. They reported a bill to the floor containing nearly \$67 billion over the four year period. Efforts to restrain the highway program through a trust fund related cap failed, with only 110 votes in our favor. No sponsor could be found to manage an amendment for cutting transit.

Memorandum to the President
October 6, 1978
Page 2

Subcommittee Chairman Jim Howard did offer an amendment to reduce the bill to \$61.1 billion, which was accepted.

Now that the bill is in conference, and with the specter of a hiatus in the highway program facing the proponents, there is movement toward an acceptable level. Jim Howard, who is the Conference chairman, originally proposed a complicated agreement at a level that would be around \$56 billion. Senate conferees, led by Jennings Randolph, were moving towards \$55 billion. Following yesterday's successful effort on the override, they appear to have lowered their sights. Chairman Howard expressed interest in settling on a figure of \$53 billion, although his staff is trying to expand the number by excluding certain items.

I would like to nail down an agreement, and avoid a situation that would be disruptive not only to our relations with the Congress but more importantly to the programs. To do this, we must make a firm offer to the Conferees and express it in terms that make it clear and impossible to evade with gimmicks. We will also insist on significant progress on program reform, and I believe that can be achieved. We need your approval of the proposed offer.

While the conferees would be more comfortable at the \$53 billion level, it was the consensus of our meeting that our position should not exceed \$52.5 billion. This would be a \$1.5 billion increase (or 3%) above the Senate level. This would be expressed in terms that would preserve to the greatest degree possible your original request for trust fund spending, since that does not go through the appropriations process. We would absorb increases in those areas where this additional review can occur.

	<u>\$Billions</u>
Proposed funding level	\$52.5
Administration Requests	
Surface Trans. Bill	47.1
Public Lands Roads	<u>1.2</u>
	<u>48.3</u>
Increase	\$ 4.2

While the increase over the budget might appear large in numerical terms, it is not unreasonable given the scale of the program and the strength of its proponents. It can be readily portrayed as a \$13 to \$14 billion cut below the House Public Works bill, which received substantial editorial criticism for its profligate approach. In the

Memorandum to the President
October 6, 1978
Page 3

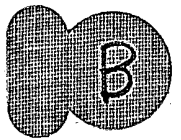
key area of highway trust fund programs, a bill at this level would be precisely in line with Trust Fund revenue expectations, which was the principle we unsuccessfully tried to establish with the Giaimo amendment. In public transportation, we would stick with the Senate level, reflecting floor amendments that we supported. Finally, it should be possible to spread the four years of the bill in such a way as to minimize the impact in the present budget.

This proposal should be presented, if it is to be successful, before the conferees resume on Tuesday morning. We need to test the feelings on the Hill further as to how this should be done, but as I wrote you earlier, your personal involvement at this stage may now be necessary. Since acceptance of a \$52.5 billion level requires the House conferees to abandon 85% of the difference between them and the Senate, this will be a difficult negotiation.

_____ I concur in making a firm offer of \$52.5 billion.

_____ Other.





HIGHWAY AND TRANSIT BILL COMPARISON OF AUTHORIZATIONS

(Dollars in Millions)

	1979 Only			1979-1982 Totals		
	<u>Administration</u>	<u>House</u>	<u>Senate</u>	<u>Administration</u>	<u>House</u>	<u>Senate</u>
Highways Total:	8,255	11,258	8,734	33,944	44,429	35,464 <u>2/</u>
Trust Fund Highways.....(7,947) (primarily contract authority)		(10,404)	(8,295)	(32,712)	(40,992)	(33,803)
General Fund Highways.....(--)		(546)	(131)	(--)	(2,205)	(429)
General Fund, Non-DOT Highways <u>1/</u>(308) <u>3/</u>		(308)	(308)	(1,232) <u>3/</u>	(1,232)	(1,232)
Transit Total	<u>3,419</u>	<u>4,200</u>	<u>3,619</u>	<u>14,418</u>	<u>16,875</u>	<u>15,670</u>
Total Bill	11,674	15,457	12,354	48,362	61,304	51,134
Increases Over Admin..... XX		+3,783	+680	XX	+12,942	+2,772

1/ Not expected to receive subsequent appropriations from these authorizations. Includes Forest Development Roads and Trails, Public Lands Roads and Trails, Park Roads and Trails, Parkways, and Indian Reservation Roads and Bridges.

2/ Senate highway bill is for 1979-1980 only. Figure shown is an extrapolated estimate.

3/ Not in Administration bill, but displayed here for comparability purposes.



1979-1982 INCREASES OVER ADMINISTRATION REQUEST

(Dollars in Billions)

	<u>Total Authorizations</u>	<u>Authorizations Increase</u>	<u>Estimated Obligations Increase *</u>	<u>Est. Outlays Increase</u>
House Bill	61.3	+13.0	+10.0	+7.1
Senate Bill	51.1	+ 2.8	+ 1.7	+1.2
Adams Compromise	52.5	+ 4.2	+ 3.3	+2.3
OMB Compromise	52.0	+ 3.7	+ 2.8	+1.9

* Not all authorizations are expected to result in increased appropriations and obligations.

