

APPROVED
NOV 6 - 1978

LAST DAY FOR ACTION
November 8, 1978

THE WHITE HOUSE
WASHINGTON
November 5, 1978



MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
BILL JOHNSTON

SUBJECT: H.R. 11733 - Surface Transportation
Assistance Act of 1978

Although you have until November 8, 1978 to sign this bill, Frank, Jody and I recommend that you sign it by Monday, November 6, in order to generate some pre-election publicity that may be helpful to Jennings Randolph and other Democrats.

THE BILL

Provides \$54.2 billion in spending authority for highways and mass transit for the fiscal years 1979-1982. This is \$5.8 billion above your request as follows:

	<u>Administration</u> <u>Request</u> (4-year totals \$ million)	<u>Congressional</u> <u>Change</u>
Highways (Subject to Appropriation)	33,945 (1,511)	+3,877 (+1,965)
Transit (Subject to Appropriation)	14,466 (14,466)	+1,914 (+1,914)
Total (Subject to Appropriation)	48,411 (15,977)	+5,792 (+3,879)

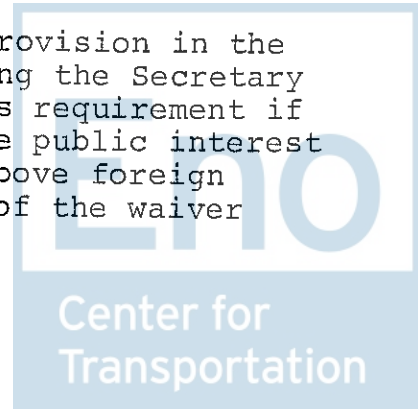
Most of the spending in this bill is contract authority which can be spent without further Congressional action. As the table indicates, however, a large percentage of the amount by which the bill exceeds our request is still subject to appropriation. Moreover, DOT does not expect that all of the highway contract authority will be used.

For example, DOT expects the states will be able to obligate only \$7.6 billion for highways in 1979, a full \$1.0 billion less than the ceiling set in the bill. As OMB points out, however, even with a tough Administration stance on appropriations and some spending shortfall it is still likely that spending called for in the bill will substantially raise outlays above our proposals, particularly in the out-years.

In addition to the spending totals the bill contains a number of program changes, many of which we opposed.

- Program categories -- We had proposed very substantial category consolidation. Although the conferees did consolidate some categories in the highway safety and commuter rail areas they also approved a number of new ones including aid to rural transit, intercity bus subsidies and rail transit rehabilitation. In addition, the bill specifies construction of a number of highway and transit projects, further decreasing administrative flexibility.
- Matching Shares -- We had proposed to put all transit and highway programs on an 80-20 matching basis except for interstates which would have stayed at 90-10, including transfers. The conferees brought highway programs up to 75-25, and interstate transfers to 85-15. This is a step forward toward the goal of consistent matching shares, although it obviously falls short of our proposal.
- Highway Beautification -- The conferees accepted a provision requiring federal reimbursement to local sign owners for sign removal done pursuant to local ordinances. We had opposed this arguing that such reimbursement was a local responsibility.
- Interstate Financing -- The bill mandates reimbursement to states for 90% of the interest costs of bonds used to construct interstates in advance of Federal fund allocations. This is Senator Stone's proposal which he discussed with you during the campaign.
- Urban Transit -- The bill provides for two changes we had requested -- a \$200 million intermodal facilities program that was part of our urban policy and conversion of the bus purchase program to a formula grant program from the current discretionary grant application process. Objectionable features added include new categories for rural transit and intercity bus transportation, and additional fund for operating subsidies. We anticipate opposing the extra operating subsidy expenditures in the appropriations process.

● Buy-American -- The Buy-American provision in the transit program was watered down by giving the Secretary of Transportation authority to waive this requirement if he finds that it is inconsistent with the public interest or if domestic costs are more than 10% above foreign costs. DOT intends to make liberal use of the waiver authority.



VOTES IN CONGRESS

House - Voice Vote
Senate - Voice Vote

ARGUMENTS FOR SIGNING

The bill makes modest steps toward some of the program reforms we had supported.

With a very tough budget stance in the coming years, the costs can be held close to our original targets.

In light of the Congressional view that the bill represents an Administration victory, it is very doubtful we would sustain a veto.

It has been widely reported in the press that you are committed to signing this bill.

ARGUMENTS FOR VETO

This bill is well above our budget level and does not reflect all of the programmatic changes we had sought.

AGENCY AND STAFF RECOMMENDATIONS

OMB, DOT, and all affected agencies recommend signature. Frank, Hamilton, Anne, Jack and I recommend that you sign this bill.

Although we do not think a signing statement is appropriate for a bill this much above our budget, we recommend that you call Senator Randolph and Congressman Howard (who will be chairing the Committee dealing with trucking deregulation next year) to inform them of your action. You may wish to use this call to ask him for his cooperation next year in light of your agreement to sign a bill above your budget.

not done

DECISION

Sign H.R. 11733

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Veto H.R. 11733

