THE WHITE HOUSE
WASHINGTON

January 6, 1983

MR. PRESIDENT

Attached is the "Surface Transportation Assistance Act of 1982" for your signature at today's signing ceremony.

Dick

Richard G. Darman

Ceremony + Remarks
State Dining Room
9:45 A.M.

APPROVED
JAN - 6 1983

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

JAN 5 1983

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6211 - Surface Transportation Assistance Act of 1982
Sponsors - Rep. Anderson (D) California and 3 others

Last Day for Action

January 14, 1983 - Friday

Purpose

Authorizes appropriations totalling $57.3 billion for highways and highway safety and $14.9 billion for mass transit for fiscal years 1983-1986; increases the size and weight of trucks permitted on the Interstate highway system; increases the Federal gasoline tax by 5 cents per gallon, effective April 1, 1983; increases user fees on heavy trucks; strengthens "Buy America" provisions; and includes a number of non-germane amendments, including extended unemployment benefits.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Department of the Interior	Approval(Informally)
Council on Environmental Quality	Approval(Informally)
Department of the Treasury	Approval
Department of Commerce	Approval(Informally)
Environmental Protection Agency	No objection(Informally)
Department of Energy	No objection(Informally)
Department of Agriculture	No objection(Informally)
Small Business Administration	No objection(Informally)
United States Trade Representative	No objection(Informally)
Department of State	No objection(Informally)
Department of Defense	Defers(Informally)
Department of Justice	Defers(Informally)
Nuclear Regulatory Commission	No comment(Informally)
Department of Housing and Urban Development	No comment(Informally)
Department of Labor	Does not oppose approval

Discussion

H.R. 6211 passed the House by a vote of 180-87 and the Senate by a vote of 54-33. The bill provides for an increase in the Federal gasoline tax from 4 cents to 9 cents per gallon, as requested by the Administration. It revises several other taxes applicable to motor vehicles to increase the fees paid by heavy trucks, consistent with the costs they impose on the Nation's highway system. In return, the bill increases the maximum size and weight limits on trucks using the Interstate highway system. Appropriations are authorized for fiscal years 1983-1986 for highway, transit, and highway safety programs, but the authorizations exceed those requested by the Administration by approximately $7.0 billion over the four-year period. If fully funded, the combination of lower taxes than the Administration requested and higher outlays would increase the deficit $6.0 billion over the Administration's proposal for 1983-1986.

The bill also includes a number of non-germane amendments, including an extension of unemployment benefits under certain circumstances. In total, these amendments will add approximately $1.5 billion to Federal funding requirements over the next four years. The major provisions of the enrolled bill are discussed below.

Highways and Highway Safety: H.R. 6211 provides a total of $57.3 billion for fiscal years 1983-1986 for highway construction and safety programs, $5.0 billion more than the Administration had requested for these years. The increase is almost entirely "contract authority", meaning that the funds are available for obligation prior to appropriations action. The bill reduces the Admnistration's requested funding for the highest Federal interest highway programs -- Interstates and primary -- by about $.5 billion and increases funding for lower priority State interest programs by $5.5 billion. Table A shows a comparison of the annual authorizations for the programs.

As requested by the Administration, the bill provides major increases in authorizations for Interstate highway construction and rehabilitation/repair. The increased authorizations will allow "final" completion of the Interstate system by the early 1990's, while ensuring that the existing Interstate highways are properly maintained. The bill also contains increases for the primary highway system and the bridge program, which will enable the Federal Government and the States to halt deterioration of the Nation's primary roads and bridges. Additional authorizations -- approximately $600 million per year -- are provided to ensure that every State will receive back at least 85% of the taxes it pays into the Highway Trust Fund. Finally, the bill eliminates a number of existing narrow categorical highway programs, rescinds unappropriated authorizations, and contains several provisions that will allow the program to be more effectively and efficiently managed. On the other hand, the bill authorizes funds for ten new place-specific highway and bridge projects, contrary to the Administration's requests.

Congress responded to the concerns of some States regarding their ability to provide the matching funds necessary to qualify for the Federal highway grants (5%-25% State matching requirement, depending on the program involved). The bill allows a temporary waiver by allowing States to obtain the Federal funds without providing the State matching share through September 30, 1984, thus essentially providing for a temporary interest-free 100% Federal grant. The State matching funds must be repaid to the Federal Government. If the funds are not repaid, future State apportionments of Federal funds are reduced to offset the amount owed.

The bill provides for uniform truck size and weight limits on the Interstate highways and uniform length limits on certain federally-funded primary highways, thereby overriding more restrictive State limits. Trucks with single trailers as long as 48 feet and double-trailer rigs of 28 feet each would be allowed on the Interstate system, as would trucks weighing up to 80,000 pounds. Currently, three "barrier" States with lower weight limits -- Arkansas, Missouri, and Iowa -- deter direct coast to coast transit of heavier trucks. The Administration had proposed these uniform size and weight limits on Interstate highways (but not on primary highways) to offset the financial effects on large and heavy trucks of increased user taxes, as discussed below.

The bill includes several provisions to which the Administration strongly objected. One of the most important deals with "Buy America" policies. It requires that all highway and transit projects built with Federal funds must be made with U.S.-made steel, cement, and manufactured products unless the prices for these materials are more than 25% higher than foreign-made goods. Current law requires a price differential of only 10% and applies to fewer products.

H.R. 6211 also broadens the Davis-Bacon Act to require that contractors doing repair work on federally-funded projects pay the prevailing union wage in their area. Currently, only new construction projects are subject to this requirement. The Labor Department does not favor this expansion of Davis-Bacon Act coverage.

The bill also requires that not less than 10% of the amounts authorized under the bill be set aside for contracts with socially or economically disadvantaged businesses. There are probably not currently enough businesses in this category to handle this amount of work (10% of approximately $12 billion yearly). This provision thus could result in the firms that qualify charging higher prices than they would otherwise get, making this a costly special provision. There is some discretion, however, for the Secretary of Transportation to waive the 10% requirement.

As requested by the Administration, the bill establishes a new grant program to encourage States to increase their enforcement of trucking safety standards. Authorizations are set at $10 million in 1984, increasing incrementally to $50 million in 1988. The provision draws on recent successful State efforts to reduce highway accidents and fatalities through increased enforcement activity. The provision also addresses concerns that the implementation of existing trucking deregulation legislation will reduce attention paid to safety as firms confront a more competitive market.

Mass Transit Programs: H.R. 6211 authorizes appropriations totalling $14.9 billion for fiscal years 1983-1986 for mass transit programs, $2.0 billion more than the Administration proposed for these years. Table B shows a comparison of the annual authorizations for transit.

As requested by the Administration, one cent of the proposed gas tax increase, amounting to approximately $1.1 billion annually by 1984, will be available for transit projects involving the rehabilitation, replacement, or construction of transit facilities and equipment. Unlike the Administration's request, this program consists of contract authority and permits dedication of future revenues to support current program levels. In addition, these funds may not be used for highway projects, as proposed by the Administration. In 1983, these funds generally will be distributed by the formula established for a new Section 9 grant program, discussed below. For the years 1984-1986, the funds will be distributed by the Secretary under the existing discretionary capital grant program, at a 75/25 Federal/local matching share (the program currently operates under 80/20 Federal/local matching shares).

The bill establishes a new Section 9 urban formula grant program (funded by general funds and not the gas tax) for the years 1984-1986 to replace the existing formula grant provisions. The funds will be distributed by formula to States and localities roughly based 2/3 on existing bus miles and 1/3 on rail miles. These grants may be used for both operating subsidies and capital construction and rehabilitation purposes. If used for capital purposes, the Federal share will be 80%; operating subsidies will have a 50% Federal share.

The Administration had proposed that operating subsidies be reduced in 1983 and phased out completely after 1984. Instead, the bill provides for a continuation of operating subsidies through the new Section 9 grant program for the years 1984-1986. The bill does, however, reduce operating subsidies on a one-time basis in 1983. In 1983, cities over 1 million in population will be limited to 80% of the operating subsidy allocations received in 1982; cities between 200,000 and 1 million will be limited to 90% of 1982 subsidies and cities below 200,000 will be limited to 95% of their 1982 operating subsidies. This should result in a total reduction of approximately 16% from 1982 operating subsidy levels of $1.035 billion. However, cities may obligate up to 100% of their 1982 levels of operating subsidies in 1983 and 1984, if they are willing to divert capital funds to operating purposes as well as accept a net reduction in total Federal transit dollars.

As with highways, the bill broadens the "Buy America" provisions of current law. The bill requires that rolling stock must be made in the United States unless it is at least 10% more expensive than foreign made products; other transit products must be made in the United States unless the price differential is at least 25%. Rolling stock made in the United States must have at least 50% of value added in the United States and must be assembled here. Other transit products made in the United States must have 100% of their value provided in this country. The Administration strongly opposed this provision.

Finally, it is clear that the Congress anticipates that the increased authorizations will be used to fund "new starts" for subways. To date, the Administration has resisted new starts because of the substantial Federal costs and increased demand for operating subsidies caused by opening new subway lines.

Highway Tax Revisions: H.R. 6211 increases the Federal gasoline user tax by 5 cents per gallon, from the current 4 cents level to 9 cents per gallon, as requested by the Administration. Because of improved auto mileage and reduced driving levels, current tax revenues are insufficient to meet highway and bridge construction and restoration needs. The increased tax will go into effect on April 1, 1983, and lapses on April 1, 1988. Four cents of this increase will be used to finance highway projects and one cent for transit projects.

As requested by the Administration, the bill also revises other taxes on truck and equipment sales to place a heavier cost burden on heavy trucks, consistent with the wear and tear they impose on the highway system. According to Administration studies, heavy trucks are currently underpaying their fair share and are being subsidized by small trucks. In addition, an annual use tax is authorized to be assessed on the heaviest trucks (those over 33,000 pounds) on a sliding scale. The use tax is currently set at a maximum of $240 per year. H.R. 6211 increases that tax to $1600 on July 1, 1984, and increases it to a maximum of $1900 in 1988 for trucks weighing over 80,000 pounds. The Administration recommended a maximum heavy truck use tax of $2700 beginning October 1, 1983. Trucks which travel less than 5,000 miles per year on public highways (such as certain farm and construction equipment) will be exempt from the truck use tax.

Sales of gasohol are now exempt from the current 4 cents gas tax. The enrolled bill raises the exemption to 5 cents, so that there will be a 4 cents tax on gasohol. The bill provides for a continuation of a complete gas tax exemption for fuel used by State and local governments and buses, and for certain other alcohol fuels (such as methane), and a 4 cents exemption for taxicabs. It allows for an extended period for payment of fuel taxes by certain oil jobbers.

Miscellaneous Non-Germane Amendments

H.R. 6211 contains numerous non-germane provisions which were added to the bill. The most important of these provisions are discussed below.

Unemployment Benefits Extension: The bill amends the recently enacted Federal Supplemental Compensation (FSC) program to increase the number of weeks of unemployment compensation benefits. Under present law, which expires March 31, 1983, individuals who have exhausted their unemployment benefits can receive 10, 8, or 6 additional weeks of benefits depending on the unemployment rate in their States. This provision leaves the expiration date unchanged but increases the number of weeks of additional benefits under FSC to 16, 14, 12, 10, or 8. The Labor Department estimates the cost at about $540-$600 million.

The provision is Congress' attempt to assist unemployed workers who have exhausted, or will soon exhaust, their present FSC benefits. The Administration had opposed any changes to the existing FSC program during the lame duck session of Congress. The Labor Department, in commenting on a related House bill, indicated that it was studying the impact of the present law on individuals and that the study would be completed in January. At that time, the Labor Department planned to present its findings and recommendations to the Congress.

Maritime Loan Guarantee Limits - The enrolled bill amends the Merchant Marine Act, by specifying that Federal commitments to guarantee vessel construction loans may not be limited except as specified in authorization legislation. It also prohibits denying a loan guarantee on the basis of the type of vessel involved (e.g.,, oil rigs are currently ineligible for Federal loan guarantees). The Administration opposed this provision because it will make it harder to control the credit budget and will open the door to loan guarantees for unworthy projects. This is especially undesirable because Congress has not enacted maritime authorization legislation for fiscal year 1983. Therefore, no loan guarantee limits have been set by the Congress and the Administration is prohibited from setting an administrative limit, as has been done in previous years. We interpret this provision as allowing the Administration to set priorities for the use of this money, even though a limit could not be set and certain types of vessels could not be eliminated outright.

Airport Grants - The bill amends the Airport and Airway Improvement Act of 1982 (P.L. 97-248) to establish a "supplementary discretionary fund" making available $475 million in additional contract authority for the Airport Improvement Program during the years 1983-1985. This provision increases the funding for airport grants for these years far in excess of the $2.3 billion enacted just a few months ago and far beyond what the Administration previously has stated is acceptable.

Reforestation Expenditures - The bill requires that for each of the fiscal years 1983, 1984, and 1985, the Secretary of Agriculture must expend all funds in the Reforestation Trust Fund for reforestation and timber stand improvement work in national forests. The Administration has not requested any appropriations for this program for 1983 and subsequent years. This provision circumvents the appropriation process and requires an expenditure of more than $140 million over the budget request, in addition to $108 million included in the Interior and Related Agencies Appropriation Act of 1983.

Fisheries Grants - H.R. 6211 requires, effective October 1, 1983, that all monies in the Saltonstall-Kennedy (S-K) Fund -- approximately $32-$36 million annually -- be expended or obligated by the Department of Commerce to develop the fishing industry through grants (60% of the funds) and other activities. Moreover, it explicitly prohibits transfer of monies in the S-K Fund for other uses. Such transfers have been made in the recent past to support the National Oceanic and Atmospheric Administration (NOAA) fisheries research and management activities, on the grounds that it is inconsistent with overall Administration policy to provide special subsidies to support the development of the fishing industry. Since the 1984 Budget will propose the transfer of all monies in the S-K Fund to support NOAA activities, it will be necessary to seek legislation to remove the limitation specified in H.R. 6211.

Nuclear waste dumping - For two years following your approval of H.R. 6211, the Environmental Protection Agency will not be able to issue permits for the ocean dumping of (1) low-level radioactive wastes unless conditions specified in the enrolled bill are met and (2) radioactive waste material until the permit applicant has prepared a comprehensive Radioactive Material Disposal Impact Assessment and the Congress passes a joint resolution approving issuance of a permit. With respect to the requirement for approval of a permit by joint resolution of Congress, it is unclear from the language in the enrolled bill if this applies to only high-level radioactive waste or low-level waste as well. These restrictions will lead to more difficulty in obtaining such permits and, in the case of the Navy Department, may seriously impede their plans to dispose of decommissioned nuclear submarines in the ocean.

Fuel Assistance Payments - The bill would provide that assistance received for home energy costs (both heating and cooling) which is based on need and is furnished in kind by a private nonprofit agency or certain other specified providers would be excluded when computing an individual's income for the Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) programs. For AFDC, the exclusion would be at the option of each State. The provisions would apply through June 30, 1985.

Boating Safety Grants - The bill increases the tax on motorboat fuel from 4 cents to 9 cents per gallon, and provides that funds expended from the National Recreational Boating Safety and Facilities Improvement Trust Fund will be contract authority in the future, rather than normal appropriations as under present law. This provides $45 million of annual backdoor financing of a program for which the Administration has only requested a $5 million appropriation.

Tax Amendments: There are a number of non-germane tax provisions, the most important of which:

- Allows deductions for conventions on cruise ships. Under present law, expenses incurred by an individual in attending business-related conventions or meetings are generally deductible as ordinary and necessary expenses. Specifically excluded, however, are expenses incurred in attending conventions on cruise ships. The enrolled bill allows a deduction for attending a convention or similar business-related meeting held on a cruise ship if (1) the vessel in question is of United States registry, (2) all ports of call are within the United States, and (3) expenses incurred do not exceed $2000 in one year ($1000 in the case of a married person filing separately).

- Provides relief to three California public utilities by waiving certain tax accounting rules generally imposed on public utilities. Under existing law, regulated public utilities generally are allowed the investment tax credit and accelerated depreciation only if these tax benefits are "normalized." (The normalization rules are intended to ensure that increased cash flows resulting from certain tax benefits are viewed by State public utility commissions as incentives for investment and not as subsidies that must be passed through to ratepayers.) Until recently, regulatory authorities in California have for ratemaking purposes accounted for accelerated depreciation and the investment tax credit in a manner that the Treasury Department believes violates the normalization rules. Absent legislative relief, three California utilities will be subject to the severe sanctions that the tax code imposes for failure to satisfy normalization requirements: mandatory use of straight-line depreciation for earlier years and loss of the investment tax credit. The bill restates and makes more specific the normalization rules applicable to regulated public utilities and sets forth transitional rules that provide relief to the three California utilities.

David A. Stockman

David A. Stockman
Director

Enclosures

Tab A

Comparison of Authorizations -- Administration vs. H.R. 6211
($ in billions)

	1983		1984		1985		1986		Total 1983-1986	
	Admin.	H.R.6211	Admin.	H.R.6211	Admin.	H.R.6211	Admin.	H.R.6211	Admin.	H.R.6211
Highways:										
Interstate Construction	3.806	4.000	4.000	4.000	4.500	4.000	4.500	4.000	16.806	16.000
Interstate Rehab.(4R)	2.102	1.950	2.550	2.400	2.800	2.800	3.000	3.150	10.452	10.300
Interstate Transfers	-	.257	.650	.700	.650	.700	.650	.725	1.950	2.382
Primary	1.875	1.850	2.000	2.100	2.100	2.300	2.300	2.450	8.275	8.700
Secondary	.400	.650	.400	.650	.400	.650	.400	.650	1.600	2.600
Urban	.800	.800	.800	.800	.800	.800	.800	.800	3.200	3.200
Bridge	1.358	1.600	1.510	1.650	1.510	1.750	1.510	2.050	5.888	7.050
Safety Construction	.390	.390	.390	.390	.390	.390	.390	.390	1.560	1.560
Min. apportion-ment (85%)	-	.510	-	.589	-	.597	-	.631	-	2.327
Safety Grants/Other	.599	.889	.684	.786	.694	.826	.634	.707	2.611	3.208
Total	11.330	12.896	12.984	14.065	13.844	14.813	14.184	15.553	52.342	57.327

Tab B

Comparison of Authorizations -- Administration vs. H.R. 6211
($ in billions)

	1983		1984		1985		1986		Total 1983-1986	
	Admin.	H.R.6211	Admin.	H.R.6211	Admin.	H.R.6211	Admin.	H.R.6211	Admin.	H.R.6211
Transit:										
Urban Formula	.640	0 1/	1.945	2.669	1.955	2.864	2.030	2.961	5.655	8.494
Gas Tax Funded Capital	.550	.756	1.100	1.250	1.100	1.100	1.100	1.100	3.850	4.206
Rural Formula	.075	.023 2/	.075	.081	.075	.086	.075	.089	.300	.279
Res. and Training 4/	.045	.086	.047	.091	.047	.100	.047	.100	.186	.377
Interstate Transfers	0 3/	.365	.650	.380	.650	.390	.650	.400	1.950	1.535
Total	1.310	1.230	3.817	4.471	3.827	4.540	3.902	4.650	12.856	14.891

1/ $875 million has already been appropriated for this program in 1983 (P.L. 97-369).

2/ $68.5 million has already been appropriated for this program in 1983 (P.L. 97-369).

3/ While the Administration did not request any authorizations for this program in 1983, it did request $250 million in 1983 appropriations.

4/ For each of the years, the Administration also requested an additional $30 million appropriations for administrative expenses; the Administration's authorization request was for "such sums as may be necessary."

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

January 27, 1983

The Honorable David R. Stockman
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

At the request of your office, I am writing to convey, for the record, the views of this office on the recently enacted Surface Transportation Assistance Act of 1982. As you know, these views were verbally conveyed to your staff at the time the bill was enrolled.

The primary interest of this office in the bill concerned its Buy America provisions. The House-proposed version of the bill contained extremely restrictive Buy America provisions which we found highly objectionable. These restrictions would have required the purchase of American products regardless of cost with only minor exceptions. The Senate version, on the other hand, left intact previously legislated Buy America provisions which we found more reasonable.

The House and Senate were able to compromise on this provision which increases Buy America preferences, but only to a limited degree, and provides important exceptions. We would have preferred that the original Senate language on this matter be adopted. However, we view the House-Senate compromise as reasonable. Therefore, from our perspective, we have found no reason to recommend against the President's signature of the bill.

Sincerely,

Donald de Kieffer

Donald E. deKieffer

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U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JAN 11 1983

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This is in response to your request for the views of the Small Business Administration on Enrolled Bill H.R. 6211, the "Highway Improvement Act of 1982." It will supplement our previous discussion with Ms. Fox of your staff. The only subsection of this Enrolled Bill which SBA will comment on is subsection 105(f). That subsection provides that

> "(f) Except to the extent that the Secretary determines otherwise, not less than 10 per centum of the amounts authorized to be appropriated under this Act shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals as defined by section 8(d) of the Small Business Act (15 U.S.C. section 637(d)) and relevant subcontracting regulations promulgated pursuant thereto."

The effect of this provision is to allow at least ten percent of the funds authorized to be appropriated under the Act to be expended with small business firms which are owned and controlled by Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to section 8(a) of the Small Business Act.

As a result of this provision, significant amounts of government funds will be spent with small business concerns owned and controlled by the above-named concerns in the furtherance of the objectives of the Highway Improvement Act of 1982. This is a commendable result and SBA heartily endorses it. We stand ready to assist the Secretary of Transportation in implementing this provision.

Sincerely,

James Sanders

James C. Sanders
Administrator

DEPARTMENT OF STATE

Washington, D.C. 20520

JAN 6 1983

Dear Mr. Stockman:

This is in reply to the request of your office for the views of the Department of State on H.R. 6211, an enrolled bill entitled "The Surface Transportation Act of 1982." This bill contains a number of important provisions concerning gasoline taxes, the regulation of trucking, the construction and repair of roads and bridges, the modernization of urban mass transit systems, and other matters which are unrelated to the foreign policy interests of the United States. Because of the importance of this legislation to the Administration's broad policy objectives, we recommend that the President sign the bill.

We regret, however, that the bill contains language requiring, in certain circumstances, that contractors purchase only goods made in the United States. "Buy National" provisions in our own laws make it more difficult to persuade our trading partners to open their markets to American goods, and they run counter to the free-trade orientation of the Administration. We hope, therefore, that the "Buy America" provisions of the bill will be repealed at an early date.

With cordial regards,

Sincerely,

Powell A. Moore
Assistant Secretary
for Congressional Relations

The Honorable
David A. Stockman, Director,
Office of Management and Budget

GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

January 5, 1983

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Stockman:

In response to your request for our views concerning H.R. 6211, an enrolled enactment entitled the "Surface Transportation Assistance Act of 1982", the Department of Commerce recommends Presidential approval of this bill.

This bill was a bipartisan effort to repair the nation's deteriorating roads and transit system, finish the Interstate Highway System and provide jobs. The bill accomplishes these goals by increasing the taxes on gasoline, diesel fuel, and special motor fuels from 4 cents per gallon to 9 cents per gallon; increasing the excise taxes on trucks, truck parts, and tires; and authorizing appropriations for highway construction and mass transportation.

While the bill also contains a Buy-America provision which may make it more difficult to expand the coverage of the Government Procurement Code to cover foreign government entities that are major purchasers of transportation equipment the provision is not inconsistent with our international obligations under that Code. Moreover this provision would permit the Secretary of Transportation to waive the Buy-America requirement if it is in the public interest to do so.

Sincerely,

Sherman P. Margolis
for Sherman E. Unger
General Counsel

U. S. Department of Justice
Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

10 JAN 1983

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

The Department of Justice has reviewed enrolled bill H.R. 6211, the "Highway Improvement Act of 1982." We are aware that certain provisions of this legislation are a major part of the Administration's program and that Executive approval has been given.

We must object, however, to section 413 of H.R. 6211. Section 413 appears to be intended to grant authority to the Secretary of Transportation to conduct litigation arising under Title IV of the bill. As you are aware, it is the position of the Department, and which is supported by the Administration, that the litigation of the United States must be conducted by the Attorney General. To depart from this principle raises the potential that the conduct of the litigation of the United States will be uncoordinated and similarly situated litigants will be subjected to different treatment. Accordingly, we will in the near future be submitting to your office for Administration clearance a draft bill which will clarify the authority of the Attorney General to conduct litigation arising under Title IV of H.R. 6211. We ask that this be given expeditious consideration so that it may be submitted to the Congress.

Sincerely,

Robert A. McConnell

ROBERT A. McCONNELL
Assistant Attorney General

U.S. Department of Transportation

General Counsel

400 Seventh St., S.W.
Washington, D.C. 20590

The Honorable David A. Stockman
Director, Office of Management
Budget
Washington, D.C. 20503

JAN 4 1983

Dear ~~Mr.~~ Dave, Stockman:

Reference is made to your request for our comments concerning H.R. 6211, an enrolled bill

> "To authorize appropriations for the construction and rehabilitation of certain highways in accordance with Title 23 of the United States Code, for highway safety, for mass transportation and to amend certain other acts."

This is the most important and comprehensive highway and mass transit legislation that the Congress has enacted in many years. This bill provides the capital investment necessary to begin the rebuilding of this nation's transportation infrastructure. It is philosophically consistent with a number of Administration tenets since it provides increased flexibility to state and local governments, eliminates several overly burdensome requirements, and most importantly, firmly establishes that the user fee method of paying for the nation's major capital undertakings provides an acceptable and reliable means of financing. In that regard, we believe the legislation will provide Congress with a model for other infrastructure rebuilding proposals.

The Administration's primary objective in proposing this legislation was to provide for renewed investment to help rebuild our deteriorating highway and transit systems. The infrastructure improvements that this legislation provides for will significantly benefit the economy. The bill will also benefit the economy by creating jobs, especially for the construction industry. In addition, a substantial portion of the existing cross-subsidy from lighter trucks to heavier trucks will be eliminated by the restructuring of the tax system contained in the bill. Overall the legislation will provide for a transportation system that can contribute to and enhance our nation's resurging economy.

Title I of the bill provides Interstate and other Federal-aid highway authorizations through 1990 and 1986 respectively. The general emphasis of the Title is on rehabilitation and reconstruction of the existing highway system.

Title II of the bill provides highway safety authorizations through 1986 and requires a study of the benefits of the 55 m.p.h. speed limit and whether state speed limit laws deter its violation.

Title III of the bill contains mass transit authorizations and substantial program restructuring provisions that establish block grants to state and local transit authorities. The transit title will provide local decision-makers with increased flexibility and responsibility for day-to-day decisions and will reduce the Federal role in local transit activities.

Title IV of the bill revises our laws regarding allowable truck sizes and weights on the Interstate system and other designated highways and provides for enhanced enforcement and implementation of new motor carrier safety activities.

Finally, Title V of the bill contains the tax structure revisions mentioned above. This Title finances the increased levels of highway and mass transit spending by increasing net tax receipts from highway user taxes and extending the Highway Trust Fund through 1988. This Title represents a delicately struck compromise by the House and the Senate. While the bill does not shift the taxes and eliminate the inequities in current cost allocation to the extent that the Administrator had originally proposed, the compromise does substantially reallocate the tax burden to heavier trucks and, most importantly, the compromise adequately funds the highway provisions of the bill.

The program restructuring and authorization levels proposed in this bill represent a strong Federal commitment to an effective national transportation system. Even though Congress has modified a number of our original provisions and added a few of their own we believe that overall this legislation provides the nation with a comprehensive and thorough framework for dealing with the transportation problems we will face over the next decade.

The Administration and Congress should be proud of this legislation. The bill enjoyed broad bi-partisan support and cooperation in both the House and Senate. We take pleasure in recommending that the President sign the enrolled bill.

Sincerely,

John M. Fowler

FACT SHEET

SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

Title I: Highway Improvement Act of 1982
Title II: Highway Safety Act of 1982
Title III: Federal Public Transportation Act of 1982
Title IV, Part A: Commercial Motor Vehicle Safety
Title IV, Part B: Commercial Motor Vehicle Length Limitation
Title V: Highway Revenue Act of 1982

SCOPE OF BILL

- 5-cent increase in motor fuels tax (gasoline and diesel) to 9 cents beginning April 1, 1983.
- 4-year authorization period, beginning with extension of full-year authorizations for FY 1983, through FY 1986.
- See attached table for authorizations.

TITLE I

I. Interstate System

- Increases authorizations for Interstate System. (Section 102)
- Retains one-half percent minimum apportionment to States for Interstate construction. (Section 103)
- Increases Interstate construction discretionary fund by $300 million through annual set aside. Discretionary funds supplemented by an amount equal to the apportionments for withdrawn Interstate routes. Establishes priorities for distribution of Interstate Discretionary. (Section 115)
- States may transfer an amount equivalent to the cost to complete of open-to-traffic Interstate segmentsto Interstate 4R. No more than 50 percent of a State's Interstate construction apportionment can be transferred during a fiscal year. Subsequent estimates of Interstate completion costs will be reduced by amounts transferred. (Section 116)
- Retains Interstate 4R minimum apportionment formula. (No provision necessary.)
- Creates Interstate 4R Discretionary Fund from 4R funds which have not been obligated by the end of the 4-year availability period. (Section 115)

- o Provides contract authority for Interstate highway substitute projects, which are to be financed from the Highway Trust Fund. Transit substitutes continue to be general funded and require appropriations. (Section 107)

- o Beginning in FY 1984, provides new distribution method for transit and highway Interstate substitutes. Highway substitute authority is distributed 75 percent on the basis of a cost estimate and 25 percent on a discretionary basis. Transit substitute appropriations are distributed 50 percent on the basis of a cost estimate and 50 percent on a discretionary basis. (Section 107)

- o Expands eligible routes for Interstate withdrawal to rural areas. (Section 107)

- o Interstate substitute costs may be escalated up to and including the 1983 ICE, or until June 30, 1980 (whichever is higher). (Section 107)

II. Bridge Replacement and Rehabilitation

- o Changes apportionment formula (for each subcategory of on- and off-system) to reflect replacement and rehabilitation needs and unit costs. Ceilings on State shares of apportionments are increased to 10 percent. Off-system minimum and maximum requirements are retained. (Section 121)

- o Retains current program structure with its $200 million takedown for discretionary bridges. (Section 122)

- o Secretary directed to develop a selection process for discretionary bridges, incorporating stated criteria into a formula resulting in a rating factor. Eligible bridges will then be limited to bridges with a rating factor of one hundred or less. (Section 161)

III. Primary Program

- o Revises apportionment method to incorporate two formulas: one containing the current factors of area, rural and urban population and postal route mileage; the other based on urban and rural population. Apportionments will be derived from the more advantageous of the two formulas mentioned above and a one-half percent minimum. (Section 108)

- o Provides a one-half percent minimum primary apportionment for the territories (taken together as one State). (Section 108)

- o Repeals connector primary demonstration project. (Section 105)

- o Does not fund priority primary separately, but establishes priority for use of primary funds at 95 percent Federal share on certain designated projects. (Section 117)

IV. Earmarkings, Federal Share, and State Match

- Temporarily waives State matching fund requirement (FY 1983 and FY 1984) for obligations in excess of the FY 1982 obligation ceiling where matching funds are unavailable, with requirement for repayment. In cases where repayment is not made, deductions would be taken from FY 1985 and FY 1986 apportionments. Deducted amounts would be reapportioned to States which have not taken advantage of the waiver and for States which have made cash repayment. (Section 145)

- Beginning with FY 1984 funds, earmarks a minimum of 40 percent of each State's Primary, Secondary, and Urban apportionments for 4R purposes. (Section 105)

- Unless the Secretary determines otherwise, requires 10 percent of the funds provided by the Act for each State to be expended with small business concerns owned by socially and economically disadvantaged individuals. (Section 105)

- Provides a 90 percent Federal share for projects financed with Primary System apportionments for 4R purposes on an Interstate route. (Section 117)

- Provides 100 percent Federal funding, from system apportionments, for carpool and vanpool, bicycle and pedestrian walkway projects. (Sections 123 and 126)

- Provides an 85 percent Federal share for projects which make 4R improvements to roads on Federal-aid systems which incur a substantial use as a result of transportation activities to meet national energy requirements, as agreed to by the Secretary. (Section 109)

V. Truck Weight

- Makes mandatory the previously permissive maximum weight limits of 80,000 pounds gross, 20,000 pounds single axle, and 34,000 pounds tandem axle on Interstate System only (with reasonable access to be permitted from the Interstate to terminals). Application of "Bridge Formula" continues. (Section 133)

- Permits States to initially determine their grandfather rights

- Effective September 30, 1984, States must require proof of payment of the heavy use tax before registering vehicles. Failure results in withholding of up to 25 percent of Interstate apportionments. (Section 143)

VII. Other Provisions

- Provides minimum allocation grants such that each State percentage share of apportionments shall be at least 85 percent of its percentage of estimated Highway Trust Fund contributions. (Section 150)

- Establishes obligation ceilings for FY 1983-1986 ranging from $12.1 billion to $14.45 billion for Federal-aid highways. Distribution of this ceiling each year will be based upon both apportioned and allocated funds. (Section 104)

- Permits transfer of Urban System attributable allocations from urbanized areas of 200,000 or more population to another urbanized area or an urban area, at the request of the Governor and with approval of the affected local officials and the Secretary. (Section 124)

- Establishes a coordinated Federal Lands Highway Program consisting of forest highways, public lands highways, park roads and parkways, and Indian reservation roads. Jurisdiction of these Federal roads would not be transferred; rather DOT would be involved in coordination with the land managing agency, in the planning studies and program development, and provision for design and construction assistance. (Section 126)

- Applies Davis-Bacon rules regarding prevailing wage rates to 3R and 4R projects as well as initial construction. (Section 149)

- Clarifies Emergency Relief program provisions, restricting funding to repairs due to external catastrophic failures. Limits each State to $30 million per disaster. All expenditures will come from the Highway Trust Fund and the normal Federal share is established at 100 percent. (Section 153)

- Allows maintenance sanctions to be applied to smaller governmental units within States rather than entire States. (Section 114)

- Special provisions for demonstrations in particular localities include: (Section 131)

  Port freight transportation: Los Angeles
  State-of-the-Art construction demo: Altoona
  Shoreline erosion: Buhne Point-Humboldt Bay, California
  Congestion reduction: East Baton Rouge, Louisiana
  Accelerated construction: Louisville, Kentucky
  State procedures certification: Vermont
  Lake erosion: Devil's Lake, North Dakota
  Downtown congestion relief: Miami, Florida
  Truck Safety and Railroad Crossing: Idaho
  High Volume Facilities: Illinois

- Modifies Buy America requirement by raising the differential at which foreign products can be used from 10 percent to 25 percent, except for the acquistion of rolling stock. (Section 169)

TITLE II

I. Highway Safety Programs

- Current programs for Hazard Elimination and Rail-Highway Crossings are continued. Authorizations continued at same level as currently provided. (Sections 202(2) and 205)

- Authorizations for Section 402 and Section 403 safety programs provided for FY 1985 and FY 1986 at same level as provided for FY 1983 and FY 1984 by 1981 Omnibus Budget Reconciliation Act. (Section 203)

- o Of the $100 million authorization for NHTSA related 402 activities, $20 million is to be obligated for the purpose of enforcing the 55 mph speed limit. (Section 203(a)(2))

TITLE III

I. Mass Transit Account of Highway Trust Fund

- o 1-cent equivalent highway user revenues dedicated to Mass Transit Account of Highway Trust Fund and authorized to finance Section 21 authorizations of the Urban Mass Transportation Act.

- o Section 21 authorizations include:

FY 1983	Section 9A	Urbanized Area Formula Block Grants (see below)
	Section 18	Rural Formula Grants
FY 1984-1986	Section 3	Discretionary Capital Program
	Section 4(i)	Innovative Grants
	Section 8	Planning & Technical Studies
	Section 9	Urbanized Area Formula Block Grants
	Section 16	Special Needs of Elderly and Handicapped
	Section 18	Rural Formula Grants

- o Section 3 discretionary funds' Federal share reduced from 80 percent to 75 percent.

- o Section 18 fund period of availability reduced from 3 years to 2 years, after which they are reapportioned among the States.

II. New Section 9 and 9A Block Grant Formula Programs

- o Financing:

  FY 1983--Apportionments from Transit Account of Highway Trust Fund (Section 9A)

  FY 1984 through 1986--Apportionments from general fund (Section 9)

- o Federal share not to exceed 80 percent for construction projects and 50 percent for operating expenses.

- o Eligibilities:

  - o Section 9 funds may be used to finance the planning, acquisition, construction, improvement, and operating costs of facilities, equipment and associated capital maintenance items.

  - o Section 9A program is similar to Section 9. However, operating expenses are not eligible.

- o In FY 1983 there is a reduction in the level of operating assistance available. From FY 1982 operating levels, areas of 1 million or more population are reduced by 20 percent; areas of less than 1 million and more than 200,000 population are reduced by 10 percent; and areas of less than 200,000 population are reduced by 5 percent.

- o Notwithstanding these cuts in operating assistance, for 2 years recipients are able to go up to their FY 1982 operating levels by using funds from their capital apportionment for operating assistance. In so doing, however, the capital funds are discounted by one-third, and any such one-third "savings" are an available to the Secretary for discretionary grants.

- o In FY 1983 and FY 1984, capital assistance funds may be transferred to be used for operating assistance up to a percentage of the area's FY 82 operating (Section 5) apportionment, if certain conditions are met.

TITLE IV

I. Motor Carrier Grant Program

- o Establishes Motor Carrier Grant Program to assist States in developing programs of commercial safety inspection and enforcement. Federal share is 80 percent. (Section 402)

II. Truck Size

- o Requires States to allow twin trailer combination trucks on any segment of the Interstate System and designated Federal-aid primary highways. (Section 411)

- o Sets minimum trailer length of 28 feet for doubles and 48 feet for single trailer combinations with no length restrictions permitted on the tractor or overall configuration. (Section 411)

- o Enforcement provisions for length requirements rely on injunctive relief. Sanctions which withhold Federal-aid apportionments only apply to weight limitations. (Section 413)

- o NOTE: Mandatory 102" motor vehicle maximum width established by Section 321 of 1983 DOT Appropriation Act (P.L. 97-369).

TITLE V

I. Highway Revenue Provisions

- o Extends dedication of taxes to Highway Trust Fund until October 1988.

- o Extends period in which expenditures from Highway Trust Fund can be made up to October 1, 1988.

- User tax changes go into effect on April 1, 1983, except for the heavy vehicle use tax (which is phased-in beginning July 1, 1984) and the tire taxes effective January 1, 1984. Elimination of certain taxes is effective on the date of enactment.

- Features of the proposed user tax structure area:

  - a 9-cent per gallon tax on all motor fuels;
  - gasohol exemption is 5 cents per gallon through 12/31/92;
  - Intercity school and local buses are exempt from 9 cents per gallon tax as are State and local government vehicles;
  - graduated tire tax on tires over 40 pounds;
  - taxes on the sale price of new trucks of 12 percent at retail and applicable only to vehicles greater than 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds;
  - deletion of the present taxes on lubricating oil, inner tubes, tread rubber, and truck parts and accessories;
  - graduated use fee on heavy vehicles over 33,000 pounds with a phase-in and a top rate of $1,900 per year effective January 1, 1988; and
  - very low mileage vehicles, such as certain logging trucks and heavy farm trucks, would be exempted from the new heavy vehicle-use fee (vehicles with less than 5,000 annual miles).

HIGHWAY AUTHORIZATIONS - FY 1983 THROUGH FY 1986
(In millions of dollars)

Program	Fiscal Year 1983	1984	1985	1986
TITLE I PROGRAMS				
Interstate 1/	4,000.0	4,000.0	4,000.0	4,000.0
Interstate 4R 1/	1,950.0	2,400.0	2,800.0	3,150.0
Interstate Highway Substitution 2/	257.0	700.0	700.0	725.0
Primary	1,850.0	2,100.0	2,300.0	2,450.0
Primary Minimum 3/	40.3	40.9	44.8	47.7
Secondary	650.0	650.0	650.0	650.0
Urban	800.0	800.0	800.0	800.0
Emergency Relief	100.0	100.0	100.0	100.0
Forest Highways	50.0	50.0	50.0	50.0
Public Lands Highways	50.0	50.0	50.0	50.0
Indian Reservation Roads	75.0	100.0	100.0	100.0
Parkways and Park Highways	75.0	100.0	100.0	100.0
Freight Transshipment Demo (L.A.)	19.0	19.0	20.0	---
State of Art Construction Demo (PA)	5.0	10.0	62.0	---
State of Art Repair Demo (CA)	9.0	---	---	---
East Baton Rouge Interchange Demo	5.0	---	---	---
Accelerated Construction Demo (KY)	25.0	27.0	---	---
Cert. of State Procedures Demo (VT)	50.0	---	---	---
Lake Road Erosion Demo (ND)	4.5	---	---	---
Downtown Congestion Relief Demo (FL) 12/	46.2	---	---	---
Truck Safety Demo (ID)	8.5	---	---	---
High Volume Facilities Demo (IL)	25.0	25.0	25.0	25.0
Rail Highway Crossings Demo*	50.0	50.0	50.0	50.0
By-Pass Highway Demo 4/	55.0	---	---	---
Economic Growth Center 5/	11.0	---	---	---
Great River Road 5/	5.0	---	---	---
Minimum Allocation 3/	510.0	584.0	597.0	631.0
TOTAL TITLE I	**10,725.5**	**11,805.9**	**12,448.8**	**12,928.7**
TITLE II PROGRAMS				
Bridge R&R	1,600.0	1,650.0	1,750.0	2,050.0
Rail-Highway Crossings	190.0	190.0	190.0	190.0
Hazard Elimination	200.0	200.0	200.0	200.0
NHTSA 402 6/	100.0	100.0	100.0	100.0
FHWA 402 6/	10.0	10.0	10.0	10.0
NHTSA 403 6/	31.0	31.0	31.0	31.0
FHWA 403 6/	13.0	13.0	13.0	13.0
NHTSA 408 7/	25.0	50.0	50.0	---
School Bus Driver Training 6/	1.5	---	---	---
National Driver Register 8/	3.0	1.0	2.0	2.0
TOTAL TITLE II	2,173.5	2,245.0	2,346.0	2,596.0

Program	Fiscal Year 1983	1984	1985	1986
TITLE III PROGRAM				
Block Grants*	---	2,750.0	2,950.0	3,050.0
Large Urbanized Areas 9/	---	(2,432.0)	(2,609.0)	(2,697.0)
Small Urbanized Areas 9/	---	(238.0)	(255.0)	(264.0)
Section 18	---	(80.0)	(86.0)	(89.0)
Mass Transit Account Grants	779.0	1,250.0	1,100.0	1,100.0
Large Urbanized Areas 10/	(689.0)	---	---	---
Small Urbanized Areas 10/	(67.0)	---	---	---
Section 18	(23.0)	---	---	---
Planning and Technical Studies (Sect. 8 of UMT Act)	---	(50.0)	(50.0)	(50.0)
Interstate Transit Substitutions*	365.0	380.0	390.0	400.0
RD&D, Admin., & Misc.*	86.25	86.0	90.0	90.0
Research & Training Grants*	---	5.0	10.0	10.0
TOTAL TITLE III	1,230.25	4,471.0	4,540.0	4,650.0
TITLE IV PROGRAMS				
Motor Carrier Safety Assistance Program 11/	---	10.0	20.0	30.0
TOTAL TITLE IV	---	10.0	20.0	30.0
TOTAL ALL AUTHORIZATIONS	14,129.25	18,531.9	19,354.8	20,204.7

* General funded program (only one-third of Rail-Highway Crossing Demo authorization is General Funded).
1/ Year available (apportioned year in advance); authorization year is year shown plus one.
2/ For FY 1983, additional amounts provided by Continuing Resolution signed Oct. 1, 1982 ($518M for highways).
3/ Amounts shown are approximate. Actual amounts needed must be calculated each year.
4/ Provided by 1981 Federal-Aid Highway Act.
5/ Provided by 1982 Federal-Aid Highway Act.
6/ Authorizations for FYs 1983 and 1984 provided by Omnibus Budget Reconciliation Act of 1981.
7/ Provided by Alcohol Traffic Safety Programs (P.L. 97-364).
8/ Provided by National Driver Registration Act of 1982.
9/ Section 9 of Urban Mass Transportation Act, as amended.
10/ Section 9A of Urban Mass Transportation Act, as amended.
11/ Authorizations for FYs 1987 and 1988 of $30M and $40M, respectively, also are provided.
12/ Continuing Resolution (H.J. Res 631, P.L. 97-377) signed 12/21/82 provided $23.2M of this amount.

Fact Sheet

U.S. Department of Transportation
Office of the Secretary of Transportation

United States
Department of Transportation
Office of Public Affairs
Washington, D.C. 20590

Subject: HIGHWAY USER FEE LEGISLATIVE UPDATE REFLECTING CONFERENCE COMMITTEE CHANGES

Date: Dec. 23, 1982
Phone: (202) 426-4570
Contact: Linda Gosden
Dick Schoenfeld

BACKGROUND

On December 21, 1982, the House passed a compromise version of the five-cent-a-gallon increase in the federal motor fuel tax and a reallocation of the user fees paid by heavy trucks. The House passed the bill in a 187 to 80 vote following action by the House and Senate conferees. The measure is now before the Senate for final action.

The $5.5 billion in new annual revenues will fund the Federal share of the investment needed to complete construction of the Interstate system and proceed with the much-needed rehabilitation of the nation's highways, bridges and transit systems.

The stepped-up highway and transit projects will provide 170,000 extra jobs in construction related industries. By dealing now with the relatively lower costs of resurfacing and rehabilitation, we will avoid the higher costs of replacement and reconstruction later.

FUEL

The Conference Report approved a Federal gasoline and diesel fuel tax increase of five cents, bringing the total Federal tax to nine cents-a-gallon (the first increase since 1959.) The effective date of this increase is April 1, 1983.

Gasohol will be subject only to a four cents-a-gallon Federal tax as of April 1, 1983. Buses are exempt from the current tax on fuel and they will also be exempt from the increased fuel taxes.

HEAVY VEHICLES

The Conference Committee approved a five year phase-in of the graduated highway use tax for heavy vehicles, with the rate for the heaviest trucks staying at the present $240 per year for the next 18 months and increasing to $1600 on July 1, 1984, $1700 on July 1, 1986, $1800 on July 1, 1987 and the full rate of $1900 on July 1, 1988.

The final rates are as follow:

26,000 - 33,000 lbs. GVW	0
33,000 - 55,000 lbs. GVW	$50 + $25/1,000 > 33,000
55,000 - 70,000 lbs. GVW	$600 + $52/1,000 > 55,000
70,000 - 80,000 lbs. GVW	$1380 + $52/1,000 > 70,000
80,000 lbs. GVW and above	$1,900

The Conference Committee approved an exemption for low-mileage vehicles which do not use the highways more than 5,000 miles per year. This exemption is aimed at farm vehicles, logging trucks, coal and other mining vehicles which are primarily used in off-highway operations.

TRUCK SALES AND PARTS

The truck sales tax will be 12 percent for trucks over 33,000 lbs. gross vehicle weight (GVW) and trailers over 26,000 lbs. and will be collected at the retail level. The current eight percent sales tax on truck and trailer parts is abolished.

TIRES

A graduated tax for tires has been approved by the Conference Committee, eliminating all taxes on inner tubes and tread rubber and tires under 40 lbs. Tires would be taxed as follows:

$0.00	first 40 lbs.
$ .15/lb.	next 30 lbs. of tire weight
$ .30/lb.	next 20 lbs. of tire weight
$ .50/lb.	balance of tire weight

This means that a 100 lb. tire would have a $15.50 tax, based on $.00 for the first 40 lbs.,$.15 for the next 30 lbs., $.30 for 20 lbs. and $.50 for the last 10 lbs. The tire tax will take effect on January 1, 1984.

Normal passenger car tires would not be subject to any Federal tax.

TRUCK SIZES AND WEIGHTS

The conference-approved bill allows an increase in the size and weights of trucks operating on the Interstate system, which will produce greater productivity for the trucking industry. this provision effectively eliminates barriers that currently exist in three states for trucks up to 80,000 lbs. It also allows operation of doubles on Interstate highways. Regarding truck lengths, no state can set limits of less than 48 feet for singles and 28 feet wach for doubles. (The DOT appropriation bill increases the mandatory width of trucks to 102 inches.)

OTHER ISSUES

TRANSIT

One cent of the five cent revenue package would be used to help rebuild the nation's transit systems. This would add $1.1 billion to the amounts otherwise available for transit capital assistance.

The conferees approved a measure that would reduce transit operating assistance in FY 1983 and retain that level through FY 1986. The decrease, compared to FY 1982 levels, would be 20 percent for urbanized areas whose population exceed one million; 10 percent for areas between two hundred thousand and one million; and five percent for areas between fifty thousand and two hundred thousand. There would not be any statutory reduction in operating assistance for rural areas.

HIGHWAYS

For highway construction programs, the states are assured that they will receive not less than an 85 percent share of their estimated highway user payments into the Highway Trust Fund. Each state is guaranteed at least 1/2 of one percent of the Interstate construction and 4R (resurfacing, restoration, rehabilitation and reconstruction) funds as a minimum.

In order to allow all states to take advantage of the availability of increased funds for highway construction, the legislation temporarily waives state matching fund requirements for FY 1983 and 1984, where matching funds are unavailable. There is a requirement for cash repayment or deductions from FY 1985 and 1986 apportionments. Deducted amounts would be reapportioned to other states.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

December 30, 1982

Dear Sir:

This is in reply to your request for the views of the Department of the Treasury concerning enrolled bill H.R. 6211, the "Surface Transportation Assistance Act of 1982." Title V of this bill is the "Highway Revenue Act of 1982," which restructures and simplifies the excise taxes that provide revenues for the Highway Trust Fund.

The Department of the Treasury supports the President's signing the enrolled bill, even though the Department opposed the provisions relating to deductions for conventions on cruise ships and energy tax credits for chlor-alkali electrolytic cells.

A summary of the major tax provisions of the Surface Transportation Assistance Act of 1982 is enclosed.

Sincerely,

John E. Chapoton /per AAA

John E. Chapoton
Assistant Secretary
(Tax Policy)

Director, Office of
Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for
Legislative Reference

Enclosure

SURFACE TRANSPORTATION ACT OF 1982

Summary of Conference Agreement
on Tax Provisions

I. Highway-Related Revenue Provisions.

- Motor fuels taxes --

  - The taxes on gasoline, diesel fuel, and special motor fuels are increased from 4 cents per gallon to 9 cents per gallon, effective for sales after March 31, 1983.

  - The taxes on gasoline and special motor fuels used in motorboats are increased from 4 cents per gallon to 9 cents per gallon, effective for sales after March 31, 1983. The maximum amount of these revenues that can be transferred to the Boating Safety Fund is increased from $20 million per year to $45 million per year and the maximum allowable balance in that fund is also increased to $45 million.

- Exemptions from motor fuels taxes --

  - Gasohol. -- An exemption of 5 cents per gallon through 1992.

  - Qualified taxicabs. -- An exemption of 4 cents per gallon through September 30, 1984. (Additionally, the Treasury Department is directed to conduct a study on the effectiveness of this exemption.)

  - State and Local government use; intercity school, and local buses; nonprofit educational institutions; farming use; nonhighway business use. -- An exemption of 9 cents per gallon through September 30, 1988.

  - Certain alcohol fuels. -- An exemption of 9 cents per gallon for alcohol fuels consisting of 85 percent or more methanol, ethanol, or other alcohols derived from sources other than petroleum or natural gas, through September 30, 1988.

- The present law 40-cents-per-gallon income tax credit for certain alcohol fuels is increased to 50 cents per gallon effective through 1992.

- The tariff on imported alcohol fuels is increased from 40 cents per gallon to 50 cents per gallon, effective after March 31, 1983.

- For any person other than a refiner producing more than 1,000 barrels of oil per day, payment of the gasoline tax is extended by 5 days for taxpayers who pay by electronic transfer.

- The 10-percent manufacturers' excise tax imposed on the sale of trucks and trailers is converted to a 12-percent retail sales tax. In addition, the threshold weight over which articles are taxable is raised from 10,000 pounds to 33,000 pounds for trucks and 26,000 pounds for trailers. A new exemption is provided for dual use vehicles which are designed primarily for railroad use. The increase in the taxable threshold weight and the exemption for rail trailers are effective the day after enactment. The increase rate is effective for sales after March 31, 1983.

- The current 8-percent tax on parts and accessories is repealed, effective on the day after enactment.

- There is a graduated tax on highway tires at the following rate and poundage brackets: no tax on tires under 40 pounds (which includes virtually all tires for passenger vehicles); 15 cents per pound for tires between 40 and 70 pounds; 30 cents per pound for tires between 70 and 90 pounds; and 50 cents per pound for tires of 90 pounds and over. These changes are effective January 1, 1984. In addition, the taxes on nonhighway and laminated tires are repealed, effective January 1, 1984.

- The taxes on tread rubber and inner tubes are repealed, effective January 1, 1984.

- The tax on lubricating oil is repealed, effective on the day after enactment.

- The increased annual heavy vehicle use tax is imposed on a graduated tax schedule. The tax applies to highway vehicles weighing more than 33,000 pounds and traveling 5,000 miles or more on the public highways during the taxable period (July 1 - June 30). The increased tax is effective January 1, 1984, and is phased in over a 4-year period with an additional year of phase-in for truck fleets of 5 or less vehicles. After it is fully phased-in, the maximum use tax for heavy vehicles will: decrease from $99 to $50 per year for vehicles weighing 33,000 pounds; increase from $165 to $600 per year for vehicles weighing 55,000 pounds; and increase from $240 to $1,900 per year for vehicles weighing 80,000 pounds and more. Beginning January 1, 1985, a State must require proof of payment of the highway use tax before registering a vehicle in order to qualify for its highway apportionment for the fiscal year.

- Floor stocks taxes are imposed on items held in inventory on the effective date of any tax increase under the bill. Conversely, floor stocks refunds will be made for taxes paid on inventory items no longer subject to tax.

- The Highway Trust Fund is extended for 4 years, from September 30, 1984 through September 30, 1988.

- A separate Mass Transit Account is established in the Highway Trust Fund. It consists of the revenue equivalent of 1 cent a gallon of the 9 cents imposed on gasoline and diesel and special motor fuels. The conferees intend that a fair share of the funds be allocated to cities to fund new rail construction, bus fleet expansion, and other related projects.

II. Other Revenue Provisions.

- Certain noncorporate taxpayers would be entitled to a ratable ordinary deduction over a 60-month period for the cost of motor carrier operating rights held on July 1, 1980.

- A 10-percent energy investment tax credit is allowed for certain chlor-alkali electrolytic cells.

- An individual whose only gross income for Federal income tax purposes is a grant of $1,000 received from a State government need not file an income tax return with the Internal Revenue Service.

- Expenses of attending a business convention, seminar, or similar meeting that is held on a cruise ship would be deductible, not to exceed $2,000 per individual per year.

- Interest on obligations exempt from income tax under provisions of Federal law other than the Internal Revenue Code which are in effect on the date of enactment of the bill would be treated as exempt from tax under the Internal Revenue Code.

- The bill contains more specific rules under the normalization method of accounting used by public utilities. Normalization generally requires that tax benefits attributable to the investment tax credit, accelerated depreciation, and accelerated cost recovery be taken into account for ratemaking purposes over the service life of the asset that generates the tax benefits.

III. Other Provisions.

- Certain types of assistance provided to help meet a recipient's energy needs would be excluded in computing an individual's income for SSI and AFDC purposes. In the case of the AFDC program, the exclusion would be optional with each State. The provision applies to assistance in cash or kind if it is based on need in meeting home energy costs. The provision applies through June 1985.

- The bill modifies the number of weeks payable under the Federal Supplemental Compensation Program as follows:

  16 weeks are payable in States with an insured unemployment rate of 6 percent or more;

  14 weeks are payable in States with less than 6 percent insured unemployment if the State was eligible for extended benefits at any time between June 1, 1982, and enactment;

  12 weeks are payable in States where the insured unemployement rate is below 6 percent but at least 4.5 percent or if the State becomes eligible for extended benefits after enactment;

  10 weeks are payable in States where the insured unemployment rate is below 4.5 percent but not below 3.5 percent;

  8 weeks in all other States.

  The program will expire on March 31, 1983.

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

DEC 23 1982

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Dave:

This is in response to your request for our views on enrolled enactment H.R. 6211, the Surface Transportation Assistance Act of 1982. Although we have reservations, the Department of Labor does not oppose Presidential approval of this measure.

We have reservations concerning the following provisions of the enactment. Section 149 amends the Federal-Aid Highway Act of 1956, 23 U.S.C. § 113(a), to extend the Davis-Bacon Act prevailing wage coverage beyond "initial" construction to include federally-financed resurfacing, restoration, rehabilitation, and reconstruction of highways. We do not favor this expansion of Davis-Bacon Act coverage. However, we do not view this objection to be of sufficient importance to recommend a veto of the enrolled bill.

Another reservation pertains to the section of the bill which would provide additional weeks of Federal Supplemental Compensation (FSC) benefits to eligible claimants in every State. The number of weeks of FSC available to eligible claimants would depend upon the insured unemployment rate in their respective States and whether their State pays extended benefits during the life of the FSC program. The bill provides for a total of sixteen weeks of FSC to jobless workers in those States with insured unemployment rates of 6 percent or more. The bill also provides for fourteen weeks of FSC in States that have insured unemployment rates of less than 6 percent and that paid extended benefits between June 1, 1982 and the date of the enactment of this bill.

Twelve weeks of FSC are provided in States that either: (1) have an insured unemployment rate of at least 4.5 percent but less than 6 percent or (2) enter an extended benefit period after the date of this bill's enactment but were not in an extended benefit period between June 1, 1982 and the date of this bill's enactment. Ten weeks of FSC are to be paid in those States where the insured unemployment rate is at least 3.5 percent but less than 4 percent and where the State has not been in an extended benefit period at any time since June 1, 1982. Finally, the bill provides for eight weeks of FSC in all other States.

Under present law, FSC benefits are provided for six, eight, or ten weeks, depending upon the insured unemployment rate in the State. It is estimated that the present FSC program will cost $2.2 billion. The additional weeks of benefits provided by this bill add an estimated $540 to 600 million to that total.

The Department of Labor has taken the position that an extension of the FSC program would be premature and that the Congress should await a study of the FSC program, to be completed in January, before considering an extension. We would not, however, recommend Presidential veto on the basis of this provision alone.

We note that the bill also contains a provision that provides for the protection of employees who file complaints relating to violations of commercial motor vehicle safety standards. We further note that the bill provides that the Department of Labor has the responsibility to administer this provision. This provision is similar to other "whistleblower" provisions we administer.

Sincerely,

Raymond J. Donovan

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