



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

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Honorable James J. Howard  
Chairman, Committee on Public Works and  
Transportation  
U. S. House of Representatives  
Washington, D. C. 20515



Dear Mr. Chairman:

The Administration seeks prompt reauthorization of the highway, transit and safety programs, and we are pleased that the Committee is proceeding toward reporting legislation. Nevertheless, we have serious objections to the Subcommittee's approach to reauthorization, as embodied in the substitute to H.R. 3129. I strongly urge the full Committee, during markup of the bill, to address our concerns outlined herein. Otherwise, if the bill were enacted in its current form, I would recommend that the President veto the bill.

1. Unaffordable Highway/Transit Authorizations

The bill authorizes \$20.6 billion more than the President's Budget for highway, transit and safety programs for 1987 through 1991. This level of spending violates the deficit neutral principle, inherent in the Administration's proposal, that authorizations be pegged to annual highway trust fund receipts. The high levels of spending in the Subcommittee bill would necessitate reductions in other Federal programs in order to meet the budget targets for 1987 through 1991.

Not only does the bill propose unaffordably high spending levels, but authorizations are made for numerous special interest projects that divert funds from meeting nationwide, Federal highway needs. We urge the Committee to reduce the bill's authorization levels consistent with the President's Budget. Deleting newly authorized programs and special interest projects, and adopting our block grant proposal for certain highway and transit programs would produce a more affordable bill.

2. Weakened Highway Obligation Limitations

Two provisions of the bill significantly weaken the highway obligation limitation by authorizing about \$1.3 billion annually in obligations outside of the limitation. First, Section 105 expands the list of obligations exempt from the obligation limitation to an estimated \$1 billion annually. Secondly, the bill provides a windfall of extra obligation authority for States that exhaust their share of the annual limitation by August 1st of each year. Nationally, these "extra obligations" could amount

to five percent of unobligated apportionments, or at least \$330 million annually. As a result, although the statutory obligation limitations in Section 105 of the bill appear fiscally stringent, they would in fact cause both obligations and outlays to exceed levels assumed in the House and Senate budget resolutions for 1987 through 1989. We urge the Committee to delete both of these provisions in order to preserve the intent of the obligation limitation.

### 3. Expansion of Special Interests

The bill is replete with narrow, special interest projects, studies and authorities; about 100 highway demonstration projects and studies, additional Interstate projects for Massachusetts, and waivers of non-Federal matching share requirements, to highlight a few. Authorizing these demonstration projects, generally at 100 percent Federal funding and exempt from the annual obligation limitation, is poor management of highway trust fund resources and reduces the funds available for maintaining the Federal-aid system. Moreover, without a matching share requirement and without any hearing record whatsoever, it is hard to justify these projects as important priorities.

### 4. Inefficient Use of Federal Funds

In addition to the special interest projects listed above, several provisions of the bill restrict the leverage of Federal funds and effectively reduce the scope of the highway and transit programs. Provisions which increase the Federal matching share (e.g., Section 114 and 115) or waive non-Federal matching requirements (e.g., Sections 102, 113, and 135) reduce the scope of the annual highway program. Similarly, the bill discourages cost-effective use of funds by expanding the coverage of the Buy America program to increase domestic content requirements (Section 127), limiting the use of convict-produced materials (Section 110) and reauthorizing, rather than terminating, the compensation requirements of the highway beauty program (Section 119).

With regard to transit, the bill gives preferential treatment to Los Angeles by stipulating the funding of a multi-year contract that the Secretary would be mandated to sign to finance portions of the Metro Rail Project. Similarly, the bill would increase operating assistance for Fort Lauderdale and Miami by \$4.4 million annually. Such special treatment is objectionable and unjustified.

Finally, the bill fails to incorporate any of the nationwide restructuring proposals of the Administration's bill, such as the consolidation of Interstate and primary programs. Rather, the Committee bill provides flexibility on only a limited case-by-case basis, e.g., Puerto Rico (Section 113) and Arkansas

(Section 130). We recommend that the Committee adopt the Administration's proposal to provide nationwide flexibility in the use of Interstate and primary funds.

#### 5. Inappropriate Transit Provisions

In addition to the unwarranted three-fold increase in authorization levels, the transit proposals in H.R. 3129 deviate significantly from the President's prudent approach in several important respects. Discretionary funding for local "new start" projects is continued and expanded to include the use of multi-year contracts not subject to any future availability of funds or to any obligation limitation set by the appropriations committees. Requiring annual congressional approval of Section 3 funding levels and allocations (Section 303) would unnecessarily limit the flexibility of the Secretary to allocate trust funds according to need and would further delay their obligation. Continuing Federal operating assistance for large urbanized areas (Section 310) perpetuates the inappropriate role of the Federal Government paying for operating deficits which result from State and local transit decisions. There are other unnecessary transit provisions in the bill -- the establishment of University Transportation Centers and the creation of a bus test facility -- to name two. I urge the Committee to delete these provisions and give a fresh look at the Administration's mass transit proposal which would increase State and local flexibility, encourage greater and needed private sector involvement, and provide sufficient Federal resources in this time of necessary deficit reduction.

In closing, I urge the Committee, in its deliberations of the bill, to fulfill its responsibilities to contribute to the reduction of the Federal deficit, to preserve the integrity of the Federal role in highway and transit programs and to ensure the cost-effective use of Federal funds.

Sincerely yours,

JAMES C. MILLER III

James C. Miller III  
Director

cc:  
Official file  
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