



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

JUL 21 1986



Honorable Robert T. Stafford
Chairman
Committee on Environment and
Public Works
United States Senate
Washington, D.C. 20510

Dear Bob:

The Administration supports highway reauthorization legislation along the lines of S. 2405, "The Federal-Aid Highway Act of 1986." We are pleased that the bill recognizes the constraints on Federal spending that are necessary if the deficit is to be reduced, and proposes changes to increase the cost-effectiveness of the Federal-Aid Highway program. We applaud the Subcommittee's resistance to funding special interest projects and urge the Committee to maintain that resistance throughout the legislative debate. There are, however, several Administration concerns outlined below that I would urge the Committee to address during markup of the bill.

1. Federal-Aid Highway Funding Levels

S. 2405 would exceed the President's budget proposal for the Federal-Aid Highway program by \$1.2 billion in contract authority and \$1.3 billion in outlays during the 1987 through 1990 period. In addition, S. 2405 would exceed by \$115 million annually, the total obligations assumed in the Congressional Budget Resolution and reconciliation instructions. Therefore, we urge the Committee to reduce the bill's authorization and obligation levels consistent with the President's budget and the Congressional Budget Resolution and to defeat any amendments to increase spending from the Highway Trust Fund.

2. Off Budget Status

The Administration would strongly object to amendments that would move the Highway Trust Fund off budget and exempt it from budget totals and statutory budget limitations. Keeping the trust fund on budget is necessary if the fiscal discipline required to achieve deficit reduction is to be maintained. If highway reauthorization legislation were enacted with a provision to move the Highway Trust Fund off budget, I would recommend that the President not sign the bill.

3. Demonstration Projects

The Administration is greatly pleased that the Subcommittee has chosen not to include demonstration projects in S. 2405. We urge the Committee not to give in to special interests as the

23457

House Committee has done. Authorizing demonstration projects, especially if 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. We recognize the pressure on the Committee to add projects, but urge resistance in order to produce a bill from Conference that the Administration can support.

4. Block Grant Authorization

The Administration proposed a transportation block grant to improve States' abilities to meet their highway and transit needs in a cost efficient manner. Our proposed block grant, which combines transit funds from the Highway Trust Fund and funding for the urban and secondary highway systems and associated bridges, could fund either transit or highway projects. Federal project approval and design review requirements would be eliminated. We are pleased that the Subcommittee recognized the block grant principle by including a highway block grant demonstration project in S. 2405. However, we strongly urge that during markup the Committee expand the demonstration project to a broad, flexible statutory program along the lines of the Administration's proposal. Only then can the benefits of a block grant be fully realized.

5. Efficient Use of Federal Funds

We endorse the Subcommittee's efforts to promote a cost effective and efficient Federal-Aid Highway program through such measures as consolidation of the Interstate and Primary programs and restriction of the Buy America requirements. Further gains in cost-effective use of highway funds could be accomplished by adopting amendments during Committee markup to allow Federal-Aid funds to be used for construction of new toll roads; to reform the Highway Beautification program including repeal of Federal compensation requirements; to repeal the Buy America requirement and to modify the Davis-Bacon requirements to apply only to Federal highway projects over \$100,000. We would encourage the Committee to adopt such amendments.

In summary, the Administration favors the Committee's approach to reauthorization of the Federal highway program as embodied in S. 2405. I urge the Committee, in its deliberations on the bill, to maintain its responsibilities to constrain Federal spending and to promote cost-effective use of Federal funds, so that the President's senior advisors may recommend approval of this bill.

Sincerely yours,

Jim

James C. Miller III
Director

Center for
Transportation