



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

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The Honorable James Howard
U.S. House of Representatives
Washington, DC 20515

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Eno
Center for Transportation
Public Works and Transportation

Dear Jim:

Conferees will be meeting shortly to resolve the many differences between the Senate and House versions of H.R. 3129, the bill which authorizes highway construction, highway safety and transit programs. It is very important to transportation mobility and safety in this country that multi-year legislation be enacted to reauthorize our nation's highway and transit programs. However, as much as the Administration wants such legislation, there are a number of seriously troublesome issues before the Conferees which could lead directly to the bill being vetoed if not addressed satisfactorily. There are a number of other major issues that could significantly add to the desirability of legislation. All of these are described below.

◦ Increased Highway Spending. The highway spending that would be permitted by the Senate bill exceeds the Administration's budget request. Anything that significantly exceeds the Senate's levels is unacceptable. Specifically:

- Authorization levels. The total authorizations, including amounts for the highway minimum allocation provision, should not exceed Senate levels.

- Obligation limitation. We strongly oppose section 105 of the House bill which expands the list of obligations exempt from the ceiling. We also oppose the House provision that would provide a windfall of extra obligational authority for states that exhaust their regular obligational authority.

- Demonstration projects. We strongly oppose the provisions in the House bill which provide additional funding for narrow, special interest highway and transit projects. We strongly believe that states are in the best position to identify the most cost-effective projects.

◦ Increased Trade Barriers/Foreign Relations. The Senate explicitly rejected attempts to increase domestic protection provisions in highway and transit programs during consideration of the bill on the floor. Under the House Buy America amendment, domestic content requirements for buses, rolling stock, and associated equipment would be increased from 50 percent to 85 percent. We also note that the

proposal prohibits use of foreign cement and would, if enacted, be the third change in this area in four years. These provisions would add millions of dollars to the cost of these programs, cause construction and procurement delays, and invite foreign retaliation. We are strongly opposed to these changes and urge the adoption of the Senate language.

Likewise, the Senate deleted a provision in the bill which would have allowed state and local governments to use Federal grant funds to influence relations with South Africa. The House bill contains provisions nearly identical to the one the Senate deleted. We strongly prefer the Senate position. Foreign relations should be the responsibility of the national government and should not be delegated piecemeal to the individual states. Moreover, the provision could have a chilling impact on competitive bidding. It would also destroy the uniformity of the contracting process and add to bid preparation costs.

° Additional Interstate Projects. Section 132 of the House bill makes the Central Artery-Third Harbor Tunnel in Boston fully eligible for Interstate construction funds and could add up to \$2 billion to the cost of completing the Interstate highway system. We strongly oppose this section. If the state wants to build these projects, it should use other funding resources. The cost of the depression of the Central Artery is not justified on the basis of the transportation benefits to the nation.

° Transit Authorizations. The authorization levels in H.R. 3129 exceed the President's budget by \$14.6 billion over the five year period of the bill. The Senate bill exceeds the President's budget by \$8 billion over four years. We strongly oppose authorizations in excess of the Senate levels and we will seek to limit the availability of funds through the appropriations process.

° Transit Programs. Both bills reauthorize the current transit program structure, perpetuating the transit discretionary program (funded from the Highway Trust Fund) which the Administration proposed to eliminate in favor of a formula program. Since the one cent of the nine-cents gas tax is collected from all states, it is only reasonable that it should be allocated to all states by an equitable formula. We prefer changes which would fund the formula program from the Trust Fund and the discretionary program from the general fund. This approach would ensure that each state received a

portion of the mass transit part of the highway tax and would reduce later Congressional earmarking of Trust Fund programs.

There are a number of other issues, that if addressed by the Conferees as we have proposed, would greatly enhance the bill.

- Combined Interstate/Primary Program. We believe that the Senate provision to merge the Interstate and Primary programs is essential to give the states the flexibility they need to address critical highway needs. This new structure recognizes the need to balance the preservation of the existing major highway system with the need to build new highways. We support the Senate's distribution method which would rely upon an administrative adjustment to the Interstate Cost Estimate (ICE), thereby avoiding the disruption caused by delayed ICE approval.
- Discretionary Bridge Program. We support the provision in the House bill which would increase the discretionary portion of the bridge rehabilitation and replacement program from \$200 million to \$250 million per year. This will facilitate the repair of high-cost bridges.
- Higher Davis-Bacon Threshold. The Senate bill contains a provision to raise the Davis-Bacon threshold. The Administration strongly supports efforts to substantially increase this threshold. Such an increase would lower costs, increase competition, and benefit small and disadvantaged businesses.
- Toll Financing. We support the provision in the Senate bill which would allow Federal-aid funds and toll revenues to be combined to build new toll roads, while not allowing tolls to be placed on existing Interstate highways. This change would increase funds available for highway construction without additional Federal user fees. In many states, such funding flexibility would enable states to construct projects that they would otherwise be unable to finance.
- Motor Carrier Grants. We support the provision in the House bill which would provide contract authority for Motor Carrier Safety Assistance grants. This would enhance the predictability of funding and improve the ability of states to coordinate state and Federal funding.
- Emergency Relief. We support the provision in the Senate bill which would lower the Federal matching share from 100% to the applicable system share for emergency relief highway projects. We believe that the Senate approach is equitable since it permits a 100% Federal share for truly emergency work that is done within 30 days of the disaster.
- 55 Speed Limit. As the President recently indicated, we support efforts, such as the amendment in the Senate bill or

other similar provisions, which would provide states with enhanced ability to regulate highway speeds within their jurisdictions.

° Billboards. We support efforts in both bills to revise the current unworkable laws dealing with highway beautification. We strongly urge the adoption of the Senate position dealing with amortization of non-conforming signs and funding sanctions. We believe that states should be allowed to use their police powers to remove non-conforming signs. We strongly oppose the House provision which would require us to withhold at least 5% of a state's funds for even minor non-compliance with the provision.

° Competitive Bidding. We oppose section 109 of the House bill which would prevent a state from using sealed bids for architect and engineering contracts. This practice may increase project costs because states would not be required to accept the lowest bid. Moreover, these state contracting procedures should not be dictated by Federal law. The Senate approach, which proposes no change, should be adopted.

° Combined Road Plan. The Administration had proposed a block grant for non-Federal interest highway systems and bridges. Although neither the Senate nor the House bill contains a full block grant, the Senate bill has a block grant pilot program that we strongly support.

° Annual Congressional Approval- Transit. We oppose section 303 of the House bill which would require congressional legislation to approve each year's funding levels and allocation of funds for transit projects funded under the transit discretionary program. This legislative process could cause delays in the same way that the Interstate Cost Estimate approval process has caused delays and could disrupt the orderly flow of funds to states and localities.

° Clarification of Labor Provision. We strongly support the clarifying provision in the House bill that would emphasize that section 13(c) labor protective agreements are not meant to preclude transit grantees from contracting out for the provision of transit services by private companies.

° Transit Operating Assistance. We oppose the continuation of operating assistance for all areas which is contained in both bills. However, we strongly oppose section 311 of the House bill because it would actually increase operating assistance to urbanized areas whose population is less than 200,000. We also oppose the continuation of the trade-in provision for operating assistance. The original provision was intended to provide a short period of

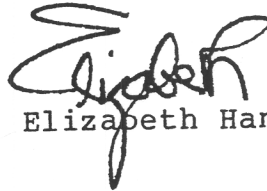
transition. That time has now expired and should not be extended. We prefer the Senate approach which makes no change.

◦ Splash and Spray. We support the House provision which would require the Secretary to find that splash and spray suppression devices on trucks will actually improve visibility and reduce accidents before issuing a standard to require their installation.

We hope that the Conference Committee will weigh these concerns carefully and develop a bill that is in accord with our mutual objectives of providing a flexible and responsive highway and transit program and meeting national budget reduction targets.

The Office of Management and Budget advises that there is no objection to the submission of these views to the Committee and that enactment of the provisions outlined in the first part of this letter would not be in accord with the program of the President.

Sincerely,



Elizabeth Hanford Dole