

**[12/12/77 – Not Submitted] [CF, O/A 548]**

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THE WHITE HOUSE

WASHINGTON

*COTB from st*

Date: December 12, 1977

MEMORANDUM

**FOR ACTION:**  
Stu Eizenstat  
Jim McIntyre

**FOR INFORMATION:**  
The Vice President  
Jack Watson

**FROM:** Rick Hutcheson, Staff Secretary

**SUBJECT:** Adams memo dated 12/8/77 re DoT Proposed Surface  
Transportation Legislation -- Open Issue

**YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:**  
**TIME:** 12:00 Noon  
**DAY:** Wednesday  
**DATE:** December 14, 1977

**ACTION REQUESTED:**

Your comments

Other:

**STAFF RESPONSE:**

I concur.

No comment.

*Please note other comments below:*

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE  
WASHINGTON

/	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
/		MONDALE
		COSTANZA
/		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
/		WATSON
/		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

DEC 8 1977

A handwritten signature in black ink, reading "Brock Adams", is written over the typed name in the "From:" field.

MEMORANDUM FOR THE PRESIDENT  
Attention: Mr. Rick Hutcheson, Staff Secretary

From: Brock Adams

Subject: Department of Transportation Proposed Surface Transportation  
Legislation -- Open Issue

OMB officials reported to me the results of the discussions with you on the main elements of our highway/transit legislative proposal, which were taken up in the context of your review of our FY 1979 budget. I am pleased to report a large measure of agreement on most of the issues. As you know, my staff and I have had extensive discussions on the legislation with key Congressmen and with public interest groups and, so far, we have found great interest and general support for the ideas we are advancing and the objectives we are seeking to achieve.

One important aspect of our proposal, that of establishing a uniform 80/20 Federal/state match for highway and transit programs, remains to be settled. OMB reported that, while you support the concept of a uniform Federal match for the highway and transit grant programs, you questioned whether that warranted raising the Federal match on highway programs from the present 70 percent to 80 percent.

I wish to reaffirm my strong belief that our recommendation of an 80 percent Federal match has a sound basis and that it should be approved for the following reasons:

1. Setting a uniform Federal match for highway (except Interstate) and transit grant programs is a key feature of the legislative initiative and will provide the basis for future, more comprehensive consolidation of transportation grant programs. The proliferation of categorical grant programs in transportation with matching ratios ranging from 50 percent Federal to 100 percent Federal is a major stumbling block in efforts toward consolidating grant programs to provide states and local authorities more flexibility in making transportation choices. Our present proposal takes a major step forward to provide

uniformity on match and to reduce grant categories. On highway programs, seven separate categorical programs where the Federal share is now 100 percent would be consolidated and the match made a uniform 80 percent. Five additional categories where the Federal match is now 90 percent would be consolidated and the match adjusted to 80 percent. I believe this is an achievable set of proposals that would move strongly toward our ultimate aim of even greater flexibility through a Combined Transportation Fund.

2. Increasing the Federal share on highway projects from 70 to 80 percent would not increase overall Federal costs or budget exposure. Federal costs are determined by the grant authorization levels in the legislation, not by the Federal match. The effect of increasing the Federal match from 70 percent to 80 percent would be to reduce the overall dollar investment in Federally aided highway projects by about 12-1/2 percent.

(For example, at the present 70/30 match, a \$70 million highway program authorization level would yield, with \$30 million in state matching funds, \$100 million in highway projects. At our recommended 80/20 match, the same \$70 million highway authorization level would yield, with \$17.5 million in state matching funds, \$87.5 million in highway projects.)

State highway revenues "saved" could be used to meet the increasing costs of highway maintenance. To this extent, the proposal reflects appropriately a general shift of state highway spending priorities from construction to maintenance.

(OMB and the Domestic Policy staff agree with this assessment of the cost impact of changing the Federal match to a uniform 80 percent.)

3. Increasing the Federal match to 80 percent would help to compensate for state highway revenue losses resulting from reduced gas consumption. Your "National Energy Plan" of April 29, 1977, noted that:

Reduction in gasoline consumption will entail a loss of revenues to the States from their taxes on gasoline, which are used to operate and maintain highways. A way needs to be found to ease this additional burden on State treasuries. The Administration will develop a program to compensate them for this loss through sources such as the Highway Trust Fund.

The matching change I propose will help to achieve the objective stated here. In fact, in the past three years, state revenues from gasoline taxes have risen more slowly than in previous years. This trend is expected to continue and accelerate as your energy program takes hold. The more stringent fuel economy standards that are accelerating the shift to smaller automobiles will be an important factor.

4. It would not be credible or acceptable to Congress or interest groups to reduce the present Federal match of 80 percent for transit projects. Any reduction in the 80 percent Federal share on transit projects would be regarded, however wrongly, as a sharp reversal of the Administration's commitment to mass transit. It would not be acceptable to the Congress. Indeed, pressures are to increase the Federal match. In my judgment, the Administration could not make a supportable case to reduce the Federal share on transit projects, which are costly and require a major local fiscal commitment even under the present 80/20 match.

In sum, my proposal for uniform Federal matching at 80 percent on all highway programs, except Interstate, is a key element of our strategy to gain widest possible support for program consolidation and for changes to speed up Interstate completion. I believe it is a sound proposal, substantively and politically. I respectfully urge your approval.

Summary of 1979 Highway and Transit Legislation

Planning

- . Highway and transit planning funds will be consolidated and distributed by formula as a single planning grant. The funds will be eligible for systems planning with no statutory restriction to mode.
- . Transportation plans will be required to consider air quality, environmental preservation, energy conservation, accessibility to employment, housing and urban growth patterns.

Interstate Highways

- . States will be required to have completed the environmental impact statement process ( or to have submitted an application for an Interstate withdrawal) on all incomplete segments by September 30, 1982. Segments which have not met the requirements will be removed from the system.
- . Fifty percent of the apportionment formula will be based on the cost to complete the essential gaps and fifty percent on the cost to complete the total system. At least 50 percent of the Interstate apportionment for fiscal years 1980 thru 1990 must be used for essential gaps.
- . Apportioned funds will be available to the States for two years. The Secretary will reallocate funds not obligated in this period to other States giving priority to ready-to-build essential gap projects.
- . States will be permitted to borrow from their following year's apportionment for an Interstate project if they have obligated their current Interstate apportionments.
- . Interstate transfer projects will be eligible for a 90% Federal share.
- . Redesignation of mileage from Interstate segments transferred off the system after enactment of this legislation will be eliminated.
- . The Interstate Rehabilitation program will continue as a separate program.

Federal-Aid Primary Highways

- . Eight highway categories will be consolidated into a single Primary program.

- . States will be able to transfer up to fifty percent of each of a State's primary, urban, and rural apportionment to selected non-Interstate highway apportionments.

#### Urban Formula Grants (Highway and Transit)

- . The bill will establish two compatible programs, one for highways and one for transit, for all urbanized areas with a population of 50,000 or more.
- . For the first time, urbanized areas of one million population and above will be able to designate a recipient with the concurrence of the governor and local officials for their urban highway funds. Transit funds will continue to go to designated recipients in all urbanized areas over 200,000. Recipients for highway funds in areas under one million will be continued as the present law provides.
- . The highway program will consolidate five categorical programs.
- . The transit program will be expanded to include routine capital expenses (a \$800 million shift in funds from transit discretionary grants).
- . Up to fifty percent of the transit funds may be transferred to the highway program. Highway funds will continue to be eligible for transit capital projects.
- . Fifty percent of the total transit funds to be apportioned will be eligible for operating expenses.
- . Up to fifty percent of the highway funds may be transferred to the Primary program or the Small Urban and Rural Block Grant Program. States will be able to merge non-attributable transit funds for areas between 50,000 - 200,000 population with the Small Urban and Rural program.

#### Transit Discretionary Grants

- . This transit grant program will be restricted to major new fixed guideway projects, including extensions of existing systems, major bus expansions, and joint development projects.

#### Small Urban and Rural Block Grants

- . Eleven categorical programs will be consolidated into one "block grant" program.
- . States would be permitted to apply funds from the block grant for a wider variety of projects than is currently authorized.

- . States would be required to match the Federal funds consistent with the uniform Federal match and would be required to spend the funds in areas with a population below 50,000.
- . DOT would no longer approve projects on a project-by-project basis. Rather, DOT would be empowered to disapprove projects from yearly program plans as submitted to DOT by the States.

#### Highway Safety Program

- . Six highway safety programs will be consolidated into a single safety grant.

#### Bridge Program

- . States will be able to use these funds for rehabilitation as well as replacement.
- . The program will no longer be strictly limited to bridges on the Federal-aid highway system.

#### Funding Authorizations (\$ in millions)

	1979 Current Policy	<u>Proposed Authorizations</u>			
		<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total Highways: .....	(7,024)	(7,015)	(7,015)	(7,365)	(7,365)
Interstates .....	3,750	3,500	3,500	3,500	3,500
Interstate Rehab. .	175	175	175	175	175
Primary .....	1,514	1,500	1,500	1,625	1,625
Urban .....	703	700	700	750	750
Safety .....	500	500	500	525	525
Bridges .....	180	450	450	500	500
Miscellaneous .....	202	190	190	190	190
Total Transit: .....	(3,155)	(3,140)	(3,245)	(3,400)	(3,505)
Discretionary Grts.	1,375	640	690	740	790
Interst. Transfers.	775	675	675	725	725
Formula Grants ....	905	1,735	1,785	1,835	1,885
Miscellaneous .....	100	90	95	100	105
Rural Block Grant ...	<u>708*</u>	<u>775</u>	<u>785</u>	<u>845</u>	<u>855</u>
Total .....	10,887	10,930	11,045	11,610	11,725

\* Derived as follows: \$683 million from rural highway programs and \$25 million from discretionary transit grants.

Public Information Release Material on the Proposed  
1979 Highway and Transit Legislation

The proposed legislation will accomplish the following:

- . Greatly reduce the number of rigid categorical programs which limit the flexibility of states and localities in the use of Federal transportation funds.
- . Narrow the differences between the operation of highway and transit programs, thereby allowing states and localities to even-handedly evaluate the pros and cons of each form of transportation.
- . Provide special attention to the needs of rural areas by "block granting" ground transportation funds for all areas under 50,000 population.
- . Require "go/no go" decisions on construction of all incomplete Interstate segments and on all Interstate transfers by 1982.
- . Conserve energy by allowing localities to shift their funds, without penalty, from construction of Interstates to more energy-saving forms of transportation such as the building of exclusive lanes for car pools, the acquisition of new buses, and the construction of new subways where appropriate.
- . Combine transit and highway planning funds to eliminate red tape and provide for single planning review and coordination at the regional level.
- . Earmark special funds for our nation's largest 25 urban areas, giving these areas greater control over the management of highway and transit funds; and require that these funds be spent in such a way as to assist our other programs to improve the environment, stop urban blight, and conserve energy.
- . Provide a special, expanded program to deal with the critical problem of bridge repair and reconstruction.

To meet these goals, and to provide states and localities with long term funding assurances, total authorizations of \$45.3 billion are requested