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THE WHITE HOUSE
WASHINGTON

October 1, 1978

RICK--

This meeting with Watson was originally set for Oct.11, but was moved up on Friday to this Monday.

The original set-up Memo went to Dr. Brzezinski, but I doubt if the NSC staff had a chance over the weekend to prepare a briefing Memo.

I am familiar with the subject of the meeting--in fact, Watson made the request through me. If NSC did not have an opportunity to prepare a briefing Memo, the attached should suffice.

Let me know if you have any questions.

Landon

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

SEP 22 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. W Bowman Cutter (for)

SUBJECT: Washington, D. C. Metro

The Administration has been asked to testify this month before the House District Committee on the future of Metro. We and Secretary Adams are in disagreement over the draft testimony and this memo seeks clarification of the Administration's position.

The Secretary wants to say that the Administration agrees with the goal of constructing a 100 mile system. Our key difference with the Secretary is that we believe actual endorsement of the 100-mile system is an undesirable budgetary and programmatic Federal posture. If Metro believes the Federal Government is committed to a construction goal, all incentive for analysis and cost control is eliminated, and pressure will build up to fund Metro in the Federal budget at high annual cost until the 100 miles are built. A preferable posture would be to simply say that the Federal Government understands that the local governments want 100 miles, but that we cannot make any commitment that all of the funds that they want will be forthcoming.

On August 15 the Secretary sent directly to you a memo (see Attachment A) recommending that the Administration agree with the goal of completing a 100-mile Metro system over the next several years, and that the Federal Government should agree to pay not more than 50 percent of Metro's almost $1 billion of federally-guaranteed bonds. The Secretary's memo did not reflect OMB and Domestic Policy Staff concerns.

You approved the Secretary's memo. During an August 16 meeting with you and the Secretary on waterway user charges, Stu Eizenstat and I discussed with the Secretary a joint memorandum (see Attachment B) which we wrote intended to clarify the Administration position on Metro. In his subsequent press conference the Secretary nevertheless endorsed the 100 mile plan.

Our concerns continue to be several:

-- The cost of the 40 miles not yet under construction will be between $2.5 and $3.0 billion, only $1 billion of which can be covered by Interstate transfers; this could cost over $400-500 million annually through fiscal 1984 in addition to the $4 billion being spent on the first 60 miles;

-- endorsement will be perceived as a "build it no matter what it costs" commitment;

-- according to DOT's own staff analysis, portions of the 40 miles would be among the worst (i.e. least cost-effective and most overdesigned) rail transit segments ever funded by the Federal Government;

-- endorsement of the local analysis and these projects would make a mockery of DOT's attempts to foster objective analysis and cost-effective projects elsewhere in the country; and

-- Federal endorsement undercuts those interests in local government who are already concerned about the high cost of Metro.

The Secretary and the UMTA Administrator feel that the political compact that forms the Washington Metropolitan Area Transit Authority would break apart if the Federal Government mandated a truncation of the local plan. While we believe that in the long run some truncation makes sense on merit, we agree with DOT that it would cause needless controversy for the Federal Government to mandate a cutback in plans at this time. Conversely, to go 180 degrees in the other direction and, in effect, endorse the 100 mile plan is equally undesirable from a Federal budgetary and programmatic standpoint. We would prefer to keep the fiscal heat on the local jurisdictions and let local rather than Federal finances determine the scope and pace of Metro construction. Thus, a middle ground approach seems best.

We recommend that the Administration testimony simply state that we understand the local goal of 100 miles, but that parts of that system may not be cost effective and we cannot make any commitment to fund everything the localities want to build.

☐ Agree. Sympathize with local goal but do not commit Federal Government to 100 miles; fund only cost-effective elements of the system.

☐ Disagree. Agree with local goal but state that Metro construction projects beyond those funded with Interstate transfers will have to compete for funding within the discretionary transit grants available to DOT.

☐ See me.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

August 15, 1978

Brock -
I assume 1st 80 miles from interstate X fare
F

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Washington Metro Transportation System

I am aware of your concern about the planning, costs, and implementation of the Washington Metro transportation system.

Stu Eizenstat, Jim McIntyre and other representatives of OMB, and myself and other representatives of the Department of Transportation, have been meeting on this matter for the last several weeks, since the Administration has imposed on Metro an August 31 deadline to submit a financial and construction plan, as well as an analysis of alternatives to the original construction for the project.

On Wednesday, August 16, the Metro Board will brief the press on their proposed plan. On Thursday, August 17, at 9:30 a.m., the plan will be presented to the Metro Board and the press will be authorized to release the contents.

At the last meeting of the OMB/Domestic Council/DOT group, we reached agreement on the following points which, if you approve, I would give to the press as the Administration's response to the Metro plan:

1. We are pleased with your serious effort. It provides a basis for local, state, and Federal agencies to comment and develop specific financing programs.

2. Alternatives analysis is over, and we agree with the goal of completing a 100-mile system over the next several years.

3. We will provide detailed comments on the financial plan over the next several months. Today, it is clear that:

   a. We generally favor Plan II, not Plan I, as a more realistic schedule for funds and construction.

b. We can support a Tier I construction program provided it can be financed through the use of interstate transfer funds and provided the segments to be built are usable and contiguous. Available interstate transfer resources, together with local matching funds, will finance approximately $1 billion in construction and represents our good faith commitment toward the 100-mile system goal.

c. Federal funds beyond the interstate transfer account, for fiscal years 1983 and beyond, can be provided under normal procedures from UMTA's Section 3 program on an 80-20 basis. You have already satisfied the alternatives analysis requirement for eligibility for Section 3 funds, and your ability to compete for Section 3 funds will be greatly enhanced if collectively the local and State governments can establish a regional tax or some source of dedicated revenue to provide local capital, operating and debt service funds.

d. We do not agree with your 80-20 assumption on debt service. We are willing to negotiate a new agreement and our staff will have some proposals later this Fall as part of our comments on the financial plan.

4. You have already taken giant strides. The next steps are for all affected State and local governments to review this plan with care. We are prepared to support a supplemental appropriation request of $275 million for fiscal 1979 as the first commitment beyond the 60-mile system. By early 1979, we must have a new agreement sharing the debt service, and by next spring a new capital contributions agreement from the local and State governments. And the sooner there is established an adequate regional tax to cover capital, operating, and debt service costs, the easier it will be to qualify for additional Federal funds and proceed toward the goal we all share: a first rate, effective Metro rail system service all parts of this capital region.

Will you please indicate to me whether this meets with your approval, or if you wish me to pursue some other course of action.

Approve ✓

Disapprove _____

Other _____

C

cc: Stu Eizenstat
Jim McIntyre

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

AUG 16 1978

MEMORANDUM FOR: SECRETARY OF TRANSPORTATION

FROM: JIM McINTYRE
STU EIZENSTAT

SUBJECT: Metro

As you know, the President has approved the general directions we have agreed to on the future funding of the Washington Metro transportation system. Within those general directions there are several points in your memorandum which we would like to clarify.

We agree that the local jurisdictions should be complimented for the work they have done in conducting the alternatives analysis and for presenting a financial plan. Further, we recognize that those jurisdictions have agreed to the construction of a 100+ mile system. We want it to be clear, however, that while we understand this local goal, we cannot make any commitment now that all the federal resources they wish to finance the system will be available.

With regard to the Tier I construction program we should make it clear that our preference for the use of construction funds is for those usable, contiguous segments with the highest expected ridership.

It should be made clear to the local jurisdictions that funding through UMTA's Section 3 program will be on a competitive basis along with the construction proposals of other areas around the country. Total Section 3 funding levels will be determined in the normal budget process.

Finally, the timing of a 1979 supplemental for Metro will depend on the Administration's final reaction to the financial plan and the conclusion of an agreement on the debt service.