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THE WHITE HOUSE

WASHINGTON

September 22, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *JEC*

SUBJECT:

Alaska's Request for Financial Aid
for the Repair of Highways Damaged by
Trans-Alaska Pipeline Construction

The President reviewed your memorandum of September 18 on the above subject and made the following decisions:

Option 1 - (Do nothing now, await final report) - Disapproved.

Option 2 - (Loan) - Approved

Option 3 - (Use of other funds) - President indicated he would like some further information.

Option 4 - (Direct aid) - Disapproved

Please follow-up with appropriate action.

cc: Dick Cheney

9/21

THE WHITE HOUSE
WASHINGTON
September 18, 1976

DECISION

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jmi*
SUBJECT: Alaska's Request for Financial Aid for
the Repair of Highways Damaged by
Trans-Alaska Pipeline Construction

Governor Hammond (R-Alaska) and the Alaskan delegation are requesting administration support for S. 2071, a bill to authorize the appropriation of \$70 million for the repair of Alaskan highways (See Tab A). Alaskan highways have suffered damage since construction of the Trans-Alaska pipeline began.

BACKGROUND

The Governor states that without repair these highways could deteriorate to the point of closing. He has indicated that if financial aid for repairs is not forthcoming, the State will consider restrictions which might delay pipeline completion.

Alaska has estimated that it requires Federal aid of approximately \$70 million initially and \$300 million over a five-year period to finance needed repair and restoration work.

The Federal-Aid Highway Act of 1976 requires the Secretary of Transportation to study the impact of pipeline construction on Alaska highways and report his findings to the Congress. The preliminary report is due September 30, 1976, and the final study is due no later than three months after completion of pipeline construction, now expected by the end of 1977.

Alaska has a cash flow problem and states it is without front-end funds to accept contractor bids by January, 1977, the deadline for contracting for highway repair in the summer of 1977.

S. 2071 has passed the Senate and is currently pending in the House Public Works Committee. Without a strong Administration push, it is unlikely that S. 2071 will pass the House this session. Given the priority items confronting the Congress before the recess, September 30, chances are slim that legislation on this subject can be enacted. Therefore, the question before you is whether you want the Administration to take a position on this issue -- even though chances for a successful legislative action are limited.

OPTIONS

1. Await the Final Report (Estimated to be March, 1978)

Do nothing to support the legislation and indicate that any further definite Administration recommendations on this issue will await completion and transmittal to the Congress of the Secretary of Transportation's final comprehensive Alaskan roads report.

2. Loan

Propose an amendment to S. 2071 to authorize the Secretary to loan up to \$70 million from the Highway Trust Fund, repayment of the loan to begin when oil revenues accrue to the State.

3. Permit Use of Other Funds

Support an amendment to the 1976 Highway Act to allow Alaska to spend up to \$20 million from the funds already allocated for construction of highways, to permit the use of these funds for repair and maintenance.

4. Direct Aid

Support the present S. 2071 legislation for \$70 million in a new grant authorization.

ASSESSMENT OF ALTERNATIVESOption 1--Await the Final ReportPro

- a. Awaiting the final report would allow the Administration to be more certain of the condition of the roads and of the Federal responsibility for their repair.
- b. No Federal funds would be advanced at the present time.

Con

- a. Alaska maintains that the roads need repair now. Without Federal financial assistance, the Governor believes that many of the roads will deteriorate to the point of closing.
- b. Bids for next summer's construction must be contracted by January, 1977.

Option 2--LoanPro

- a. Alaska is amenable to this option, because its financing problem is partly one of cash flow. Front--end money is necessary now so that the State can accept contractor bids by the end of January 1977, for the next short construction season (June-September, 1977).
- b. While Alaska will benefit significantly when new oil revenues start to flow, the State asserts its need for cash now when State funds are unavailable for heavy road expenses. Pipeline construction is having an extraordinary impact on Alaska's roads at the present time. The preliminary report indicates that \$65.5 million is needed to repair roads on the pipeline route--\$40 million of which is directly attributed to traffic supporting pipeline construction.
- c. The loan would require legislative authority, but would not necessarily require appropriations action if it was from the Highway Trust Fund.

Con

- a. Federal funds would be advanced before the final report definitively analyzes the condition of the roads and the Federal responsibility for their repair.
- b. Under the Trans-Alaska Pipeline Act the builder of the pipeline is liable for all road damage. The Federal Government has no legal liability, unless negligent.
- c. A loan may set a bad precedent of Federal Government assuming responsibility for damage to roads related to energy production.
- d. There is probably insufficient time for Congress to act on the legislation necessary for a loan, even if appropriation action is not necessary.

Option 3--Permit Use of other FundsPro

- a. Diversion of funds would solve Alaska's present cash flow problem. If the final report then concluded that Federal assistance should be forthcoming, the State's Federal Highway Fund could be reimbursed.
- b. No Federal outlay would be made at this time.

Con

- a. Option 3 would not give the State any additional funds over its current allocation of Federal-aid highway funds.
- b. This option is opposed by the State because it would only allow Alaska to divert money from its other priorities for repairs and maintenance, a use presently not permitted.

Option 4--Direct AidPro

- a. Governor Hammond, Congressman Young, as well as Senators Gravel and Stevens, strongly believe Alaska needs and deserves extra highway resources during this pipeline construction period.

Con

- a. Option 4 requires both authorization and appropriation action. Assuming Congress sticks to its current adjournment schedule, there is very little time to pursue this course of action.
- b. The Section 151 final report should be received before recommending an outright grant containing no requirement of repayment.

RECOMMENDATIONS

On this issue, your advisors recommend as follows:

- Option 1 (Do nothing now, await final report) is recommended by OMB.
- Option 2 (Support an amendment to S. 2071 to permit a loan to Alaska from the Highway Trust Fund) is recommended by: Jack Marsh, Max Friedersdord and Domestic Council. In addition, Steve McConahey, your Special Assistant for Intergovernmental Affairs, who has discussed this with Governor Hammond, strongly recommends the loan (Tab B).
- Option 3 (Increased flexibility in the use of existing Federal-aid highway funds) is recommended by: DOT and Alan Greenspan. Both also state that if the Administration decides that further aid is required, it should be limited to a loan with full repayment, due shortly after oil revenues start accruing to the Alaskan treasury. Phil Buchen will support either Option 2 or 3.
- Option 4 (Direct aid to Alaska) is recommended by Alaskan officials.

DECISION

- Option 1 (Do nothing now, await final report)
 Approve _____ Disapprove MC 9
- Option 2 (Loan)
 Approve MC 9 Disapprove _____
- Option 3 (Use of other funds)
 Approve ? Disapprove _____
- Option 4 (Direct aid)
 Approve _____ Disapprove MC 9

A

94TH CONGRESS
2D SESSION

S. 2071

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1976

Referred to the Committee on Public Works and Transportation

AN ACT

To authorize appropriations for the repair of highways in the State of Alaska, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 There is hereby authorized to be appropriated out of any
4 money in the Treasury not otherwise appropriated, for repair
5 of highways in the State of Alaska, the sum of \$70,000,000
6 to be available until expended, and in addition to sums
7 otherwise made available to the State of Alaska under title
8 23, United States Code, and under section 7(b) of the
9 Federal-Aid Highway Act of 1966. The Secretary of
10 Transportation is directed, after consultation with the State
11 of Alaska, to report to the Congress on or before January 1,

1 1977, as to the feasibility of repayment by the State of
2 Alaska, out of mineral revenues to be received by it in the
3 future, of any sums paid to it pursuant to appropriations
4 authorized by this Act.

Passed the Senate January 26, 1976.

Attest: FRANCIS R. VALEO,
Secretary.

94TH CONGRESS
2D SESSION

S. 2071

AN ACT

To authorize appropriations for the repair of
highways in the State of Alaska, and for
other purposes.

JANUARY 27, 1976

Referred to the Committee on Public Works and
Transportation

B

OFFICE OF INTERGOVERNMENTAL AFFAIRS

This office strongly recommends approval of Federal loan assistance to the State of Alaska. Given the size and nature of the Alaskan pipeline project and its direct and primary benefits to the entire country, this is clearly a Federal problem deserving responsive Federal relief. The Governor has approached us directly and fairly on this matter; and while there may be some differences over the cost estimates to repair the roads directly damaged by pipeline construction use, there is no dispute over the critical need for this repair. A Federal loan will solve the immediate cash flow problem of the State, enable construction grants to be secured in time for repair work to begin at the next construction season, and secure the Federal Government's commitment against a clearly established future cash flow. In summary, this is a problem in which the Federal Government has an obligation to provide assistance, and where we should try to help rather than try to avoid the issue.

THE WHITE HOUSE
WASHINGTON

TO: BOB LINDER

FROM: TRUDY FRY

The attached is sent to you for
review before it is forwarded to the
President.

TRF